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# Lloyds Bank Limited

## MONTHLY REVIEW

JULY 1937



# Lloyds Bank Limited

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### The Economic Outlook of Germany

*By Alwyn Parker*

#### INTRODUCTION

THE distinguished father of the scientific historical method, Leopold von Ranke, enjoined upon his hearers to describe *was eigentlich geschehen ist*—what actually had occurred.

The main difficulty which besets international relations in our time is rooted in a neglect of this counsel. Propaganda did not wait till 1914 to become a flourishing war-industry, but since that date it has wrought unprecedented havoc with the comity of nations. Men the world-over have come to believe what they want to believe; they listen to those who tell them in false and inflated rhetoric what they notoriously want to be told; they accept allegations as facts, rumours as first-rate evidence. The results are unsoundness of premises, confusion of issues, predestined conclusions and some highly strained emotion. The incoherencies of diplomacy and the excitable vagaries of national temperament are not singular but universal. To appropriate to one nation or system a monopoly of all the most rudimentary virtues, and to label others with a catalogue of all the shortcomings incident to human nature, may be excellent propaganda; but it is not conducive to a decision of the essential problem, which is the welfare of humanity as a whole.

It may be objected that this picture is overdrawn, for of discerning books issued, for instance, in Germany about our kindred country there have been not a few, and within recent months no less than three works of outstanding merit—

*Das Neue England, das Inselreich, and England, Heute und Morgen*—have been published in Jena, in Leipzig and Berlin. Nor have there been lacking informative books in London concerning Germany. This is all to the good, but the circulation of such literature is necessarily limited; it fails to reach those large numbers of people who are fed by propaganda and ephemeral publications and are not able or willing to examine the facts before taking them for granted. The scientific method is of special importance now in view of the restriction of foreign trade since the War and the consequent curtailment of helpful personal contacts between business men.

Of one thing we may be assured: unless we all turn away from this keen and copious contention, unless we all cease to force the note of controversy and can revert to some reliable method of plumbing the needs and gauging the conduct of our neighbours, we all shall head for fresh conflict and impoverishment and for crystallisations that may prove fatal. Descartes said that a man can more easily burn down his own house than get rid of his prejudices, but if we do not give a quietus to blistering tongues the holocaust of The Second World War may be that of the heritage of western civilisation, with its art and learning and spontaneity.

But a few weeks ago Baron von Neurath gave expression to timely advice to both peoples and to very friendly sentiments towards this country:—

“The Führer and Reich Chancellor has often pointed out that England is an important corner-stone in the structure of our foreign politics. As Minister for Foreign Affairs I have for years devoted particular attention to the question of our connections with England. Personally I am of the opinion that one of the most important factors is that both peoples should learn to understand one another thoroughly.”

A prominent German has emphasised that the German Reich is very young as a political entity, has not yet reached its seventieth birthday, and lacks the inestimable benefit of an old and coherent tradition. Many potent factors are, and indeed long have been, at work to forge it into a genuine unity. Time, no doubt, makes many changes; but we must not forget that the name of German combines a medley of types and races, of ancient provincial associations and immemorial local custom, which it will take many generations to fuse, and

a stubborn diversity of religious conviction—which in spite of all rough and ready methods and perhaps partly on their account—it will require eternity itself, to knead into any uniform or compacted mass. Our attitude is so disconcertingly insular, and our own dislike of militarism in any form has been so great since the days of Cromwell, that we often fail to grasp that if there is an institution in Germany which gives point and coherence to the Reich it is the Army, with its fine inspiration of a long record of discipline and achievement. This it is that makes every German heart beat faster, that will never fail in its masculine invocation of courage and endurance, and that penetrates in a thousand subtle ways into the whole region of rights, duties, human relations, and social opportunity in Germany.

Let us recognise from the outset that there is a serious cleavage of outlook between the German and the Anglo-Saxon owing to the clash of strong and irreconcilable historical traditions. The two kindred races are not one in temperament, nor spiritual experience, nor intellectual horizons, nor political requirements. All this, however, is not necessarily incompatible with broad and real community of aim, sentiment, and policy abroad. If, by an apt and cogent recital of facts, we can only get a correct appreciation of the position I do not think men of good intent will fail in readiness to suit their action to it. Then on a retrospect, as so often comes to pass, it will have been only a step from the incredible to the indispensable. The Chevalier Bunsen, who was the first Envoy from Berlin to reside in Carlton House Terrace and did more than almost any man of his time to foster friendly relations with Great Britain, was fond of urging that we should cultivate the art of seeing and making others see, and used to quote Madame de Stael's saying: "*car tout comprendre rend très indulgent.*" His Excellency once wrote: „*Rückblicken und Reflektieren ist Erlöschung des Lebens*" (anglice: "*Jobbing backwards spells creeping paralysis*"), which is certainly not inapplicable to carping criticism in the domain of foreign relations.

The Economic Outlook of Germany offers a vast and varied field for observation, and manifestly even the most admirably concise survey could not fulfil the requirements of such a

subject and come within the limited compass of this REVIEW. All therefore that I am attempting is to indicate some characteristic trends and fill in a few illustrations, lightly tinted and broadly shaded, above all seeking to know precisely what to leave out. The survey is divided into three sections of unequal length: the first deals with motives and aims; the second appraises the profit and loss; the third analyses the future's choices.

To the general reader I would suggest that those passages (pages 363-391) which contain considerable technical data should be skipped, or that the table of contents be used as a ready means of discrimination and selection. They are necessary to fill in the survey, but the narrative will not be broken if the reader omits them in whole or in part. The specialist, on the other hand, may incline to leave out the general matter and merely refer to statistics.

### I. MOTIVES AND AIMS

General von Kuhl, Chief of the Staff to Prince Rupprecht of Bavaria during the Great War and the author of an admirable piece of work in the *Ursachen des Zusammenbruchs*, has written:—

“Many things combined to bring down the German people, but I consider the Blockade the most important of them. It disheartened the people.”

It will, I think, be conceded that the general direction of German economic policy, with its overshadowing conception of self-sufficiency, has been largely determined by the problem of defence and in the light of experience. The conception of self-sufficiency is not peculiar to Germany, but peculiarly intense in Germany. Free Trade has, indeed, almost always been regarded there with energetic disfavour, and is now rejected with contumelious greeting as „*wirtschaftlicher Liberalismus*.“ Perhaps the aversion is not wholly due to analysis of its merits or demerits, but partly derives from its democratic associations. The National-Socialists render some lip-service to the ideals of international trade, but aim at producing all they can within their own borders regardless of whether it is economically advantageous. They have no doubt wide-sweeping economic aims, and are inspired by the

teaching of the philosopher Johann Gottlieb Fichte, who preached that economic isolation would avoid the friction that comes from "economic entanglement" among nations. Nevertheless, considerations of strategy and a gnawing solicitude are the dominant and main motives underlying the policy of self-sufficiency.

We shall win no overmastering sense of the importance of events as they appear to those who are taking part in them in Germany unless we relate, however cursorily, the problems of to-day to the historical and psychological background. Here we shall perceive tendencies at work which, perhaps by an unconscious process, have helped to produce definite results under the unforeseen conditions of the present age. They have served to render Germany a peculiarly receptive and fertile soil for the idea of self-sufficiency; and when a German takes up an aim his most marked characteristic is to excel others in tireless ingenuity of pursuit and in strong grasp of the fitting means. It sometimes, however, does happen that his assumptions are not wholly consistent with the practical possibilities of the case.

Bearing in mind the judgment of General von Kuhl, let us then cast a rapid glance up the centuries.

I remember at Dresden, in the closing years of the nineteenth century, meeting a venerable German whose father had been a Prussian Army doctor during the Napoleonic Wars. My friend used to tell how his father, in soul-stirring and impassioned language, would recount the terrible privations which his countrymen had then undergone, particularly as a result of Napoleon's Berlin Decree of 1806 against English commerce. The Imperial aim was to close to the shipping and the produce of the British Empire everything from the Vistula to the southern point of Dalmatia (apart from Denmark, Portugal and Trieste). All that was most harsh in the operation of the Berlin Decree fell, however, more upon those then subject to Napoleon than upon Great Britain and, with Hamburg and Bremen blocked, the Germans suffered acutely. The exhaustion and economic depression after 1815 were nowhere more severe and persistent than in Germany; prices soared, there was bitter poverty and the menace of starvation. To take but one example, bark had to be ground into the meal used for bread.

Let me give a quotation, taken from the second volume of "A History of Europe" of Mr. H. A. L. Fisher, who, with a scholarly knowledge of original sources, has told us of the Thirty Years' War:

"Most European States were in varying degrees involved in the struggle. But though Denmark and Sweden, France and England, Savoy and the Netherlands, played a part in the tragedy, the main theatre of the war was always the German Empire, and the chief sufferers the German and Bohemian peoples. *Nature had already imposed a heavy penalty upon the Germans. By reason of their geographical position they were cut off from the colonising enterprises which in the seventeenth century enriched the life of the oceanic powers.* But to this geographical handicap there was now added the social depression consequent upon the devastations of a war waged with a ferocity to which history offers few parallels. It is indeed impossible to exaggerate the miseries which the helpless peasants of the German Empire were compelled to endure in those iron times. There was marauding, there was starvation, there was even cannibalism. Whole villages died out."<sup>(1)</sup>

Mr. Fisher recalls how at the beginning of the sixteenth century Germany had stood in the forefront of civilisation and how all this was wiped out by the destitution of the Thirty Years' War, whilst another historian of repute has estimated that this dreadful calamity retarded the progress of Germany for wellnigh a century. One result was that the Dutch carried for a long period the seaborne trade of Germany. Another was that the Swedes, who emerged masters of the Baltic, gained for seventy years or so a footing in Bremen, in Verden and Pomerania, whence they controlled the estuaries of the Weser, the Elbe and the Oder at a time when rivers were almost the sole channels of German trade and communication. The German fear of encirclement may or may not be an obsession, but it is not without some historical basis. Indeed, nobody was ever more concerned about the Russian menace than our own King George I, whose mind was almost dominated for two years by the presence in Mecklenburg of Peter the Great's

(1) The Right-Hon. H. A. L. Fisher, P.C., O.M., D.C.L., F.B.A., F.R.S., Warden of New College, Oxford: *A History of Europe*, 3 Vols., Vol. II, pp. 611, 612 (London, Eyre & Spottiswoode, 1935).



troops; and the dreadful burden which their sustenance and their barbarities imposed upon the people from 1716 to 1718 was long remembered in Germany.

No mortal would make the fantastic suggestion that the heavy colonial penalty mentioned by Mr. Fisher (and emphasised by me in italics) should be compensated in our days by a cession to Germany of the Atlantic seaboard of the United States or even by a strip of Canada or Australia. But the handicap to a great, a virile, and a progressive race of possessing no overseas territory adapted to European settlement has been real, and it has been accentuated by the cessation of migration since 1913, which has indeed been a potent factor in the social depression and unrest of Europe in recent years. "If there had been more freedom of migration in the post-war period," writes one of our eminent economists, "very many of our most insistent problems would have been eased."<sup>(2)</sup>

The impulse of expansion of Germany, as of Italy, collided everywhere with ancient prescriptive rights. Now that colonial possession has come to involve some major economic gains, and often results in discrimination against the foreigner, the area of political jurisdiction has ceased to be a matter of secondary importance as it used perhaps to be while migration and trade were free. Protection and restriction may have partial merits, but in this combustible world, where we are all sitting on a powder cask, it is better and more weighty that hearts should be bound together by a reasonable extension of every benefit and every privilege that can justly be shared with, and conferred on, humanity as a whole. If indeed we persist in uncompromising opinions the case may become too aggravated for a peaceful remedy.

To the historical medal there is, as all know, both an obverse and a reverse; the Germans down the centuries have inflicted, as they have suffered, great hardships and injustice, while, like all their neighbours, they have been guilty of acts of gross political unwisdom. My aim in mainly emphasising one side of history, and Germany's most tragic rather than her most heroic memories, is to get beyond the surface of appearances to what lies behind it, and to seek in some measure to interpret the present German economic outlook on a world which she sincerely though mistakenly

(2) Professor Lionel Robbins: *Economic Planning and International Order*, pp. 90-93. (London, Macmillan, 1937.)

regards as sunk in hostile intent. I have purposely abstained from more than a passing reference to 1914-19, since those years of conflict and sorrow, which unset every joint in the compacted fabric of continental Europe and were to be the *beginning* of a new series of complications, are too near for the generation who lived through them to consider with the full detachment of retrospect.

The economic outlook of Germany has its roots then in "necessity's sharp pinch" far back in history, and also in a psychological inability of the German to address himself to the realities of international life with its fundamental sources of prosperity, which are bedded in co-operation. He is, moreover, rather given beyond most men to speak out his innermost and perhaps unformed thoughts, and thereby to put himself at a disadvantage. There is sometimes a strange dualism in the whole *Art und Wesen* of the German: steadily and for a while reasoned persuasion holds up before him the guiding lamp; and then, almost unawares, he seems, to borrow a phrase of Jane Austen, to feel that *one side of him should not be always so much wiser than the other*, whereupon he abruptly "defenestrates" a wariness and argument as being but another page in the chapter of loitering unwisdom, and Europe suddenly finds itself in presence of a *fait accompli* or a *mise en demeure*. But, in this troublesome world, the harvest to be reaped from such boldness of conduct is not always so bountiful in good fruits as it happily turned out in *Persuasion* for the most entrancing of heroines; and Europe cannot afford that a fresh defenestration should culminate in another Thirty Years' War.

One of the shrewdest of German observers, Herr von Kühlmann, has thus depicted his countrymen:—

"We are somehow lacking in calm and balanced self-consciousness, so that a foolish brusqueness too often alternates with excessive affability, thus arousing the impression of a want of inner assurance and therewith a suspicion of untrustworthiness. . . . The German creates in his strong and always active imagination a picture of his relation to the outer world—a flattering picture, in which he paints the power and greatness of his country and the effect it produces on its neighbours and on the world at large, in highly cheerful and significant colours. But when he confronts reality, the dangerous geographical



position of his country, the terrible fact of its sudden defeat, he too often loses heart and abandons his determination to look steadily into the distant future and step by step to win his way back to prestige and power and wealth. . . . He dreams splendid dreams among the clouds. . . . To-morrow will bring a new heaven and a new earth. . . ." (3)

Herr von Kühlmann's lines were penned in 1931. German self-respect had been deeply wounded; the country was seething with discontent and labouring under increasing distress. Herr Hitler has since risen to presiding office. By moral intrepidity, by the power of swift initiative, by a united front and marvellous skill in the handling of men, he has gone a measurable distance, in a community where local jealousies and particularistic singularity have been traditionally virulent, towards welding the country into a more homogeneous whole. Despite some perilous and exasperated acts that it would be mere sophistry to seek to justify; despite some chapters, more especially in University life, which I have not space to open but which all true friends of Germany must deeply deplore; and despite the lamentable wave of Christian persecution which Bismarck would, without a shadow of doubt, have reprobated as fraught with menace; every apt and impartial observer must recognise that Herr Hitler has raised the standards of public virtue and human self-esteem in Germany, has dispelled the spectre of unemployment, has shown that he is not only an orator but a doer, and proved himself one of the most ardent and instructed believers that ever fought the fight and kept the faith of Germany's high destiny.

Here, in conclusion, are two further quotations from Herr von Kühlmann. He, like the gallant General whose appraisal I have given, says that Germany in the Great War was mainly defeated by the grinding effects of the Blockade and by the want of foodstuffs and material of all kinds. And he cites what the sagacious Görres wrote in his pamphlet *Germany's Future Constitution*, published in 1814:

"Germany is the point of intersection of all the racial highways; the peoples of the Continent seem thrust

(3) Richard von Kühlmann: *Thoughts on Germany*, pp. 179, 180. (London. Macmillan, 1932.)

and driven in upon us by the force of some internal gravity. Slav and Latin nations surround us on all sides ; both of them alien and ill-disposed, and in both of them the same uneasy impulse to aggrandise themselves at our cost."

Such a pronouncement would not be passed over by any detached and instructed observer without a large measure of qualification ; yet it is fair to note that it was written at the close of the Napoleonic Wars, which had intensified traditional memories of the incursions and devastations of Louis XIV. When we say, as we sometimes do rather glibly, that Germany is suffering from persecution mania, it is well to remember that the German state of mind is not wholly divested of a factual foundation. And that foundation goes some way to explain, even if it does not invariably justify, those occasional German solecisms that we so readily treat with much objur-gation. There is perhaps a good deal of trepidation in Germany about things that are never likely to happen, and the weight of circumstantial evidence may be unimpressive to secure island-dwellers. Yet even Bismarck, cool and penetrating as he was, passed sleepless nights tortured by apprehensions of encirclement ; a Russian diplomatist, as is well known, once twitted him with *le cauchemar des coalitions*, and told the Iron Chancellor, of all men, that he was apt to start at shadows.

In the present condition of Europe prophecies as to the likelihood of peace or war can only be bows at a venture, but in drawing up the present survey it has been assumed that the German efforts to attain self-sufficiency are intended safeguards for defence rather than preparation for war. Only a vaulting optimist can, however, shut his eyes to grave concern lest conflicting ideologies and heated antipathies in so many regions of Europe, or perhaps the disabilities so frankly portrayed by Herr von Kühlmann, may succumb to opportunism and precipitate a crisis once too often and beyond all diplomatic repair. Happily there are not wanting potent countervailing influences, men with large horizons and the forward glance who know that restraint is the sovereign requisite for progress and for the redress of grievances.

Nothing, we must remember, impresses a German so much as energy and strength ; he admires bigness for its own sake in everything. These attributes are in no way confined to the armed forces alone. They come out in architecture

and in massive learning and in every branch of German work-a-day life. Sometimes they appear in a measured and truly marvellous combination and with that good taste which Vauvenargues, in a letter to Voltaire, defined as a quick and true feeling for natural beauty. What, for example, but German genius could have created the Brandenburg Concertos, the Eroica, or Brahms' Impromptus, wherein these noble qualities are all instinct and balanced?

Those who know Germany best will probably agree that nine men and women out of every ten now share the common detestation of war, recoil from the unprecedented horrors and the widespread suffering it would entail, are assuredly prepared to undergo almost any sacrifice to protect their legitimate interests, but yet long for an amicable settlement of outstanding questions. Moreover, the Chiefs of the Reichswehr have an intellectual anchorage and a very robust sense of reality. There has been evidence that their influence is markedly on the side of moderation and that they are not wanting in the statesman's first quality of seeing the whole and not merely the half. They may on the one hand doubt if the League of Nations has either the will or the capacity to effect *ex aequo ac bono* those peaceful changes for which the need may or may not be clamant; but we can be sure, on the other hand, that they appreciate to the full that war under modern conditions involves too many unascertained elements to be entered upon except as an *ultima ratio*. "I can see," writes the Warden of New College in the Preface to his History of Europe, "only one safe rule for the historian: that he should recognise in the development of human destinies the play of the contingent and the unforeseen. . . . The ground gained by one generation may be lost by the next. The thoughts of men may flow into channels which lead to disaster and barbarism."

We have, it is to be hoped, travelled far from the days when, in 1880, the great von Moltke could write to a correspondent:—

"Perpetual peace is a dream and not even a pleasant one, and war is part of the Divine Ordinance of the world. . . . If there were no wars the human race would get bogged in materialism."<sup>(4)</sup>

(4) „Der ewige Friede ist ein Traum, und nicht einmal ein schöner, und der Krieg ein Glied in Gottes Weltordnung. . . . Ohne den Krieg würde die Welt in Materialismus versumpfen.“—v. Moltke to Prof. Dr. Bluntschli, 11th December, 1880. (Moltke's Ges. Schriften. Band V.S.194. 1892 edition.)

Von Moltke was, by general admission, a master of the art of war and he was seemingly a man of genuine piety, but his competence in theology is less universally recognised. Unhappily events in Spain have demonstrated that perpetual peace is still a vision; but the proposition that either those events or the tragic experiences of 1914-18 have stemmed the spread of materialism would not stand an hour's debate "War destroys happiness. It destroys the subtle checks and controls which make civilized society possible."<sup>(5)</sup>

Those who would gain a clear picture of the guiding principles of National-Socialism in economic and social affairs cannot do better than turn to the Introduction of the *Report on Economic Conditions in Germany* by the recent Commercial Counsellor to H.M. Embassy in Berlin <sup>(6)</sup>. It brings together in a handy and readable form a great amount of material not otherwise readily accessible. It would, indeed, have been easy in a subject of this complexity for great quantities of fact constantly to get into the way of the argument and for the writer to have lost himself in promiscuous topic and overgrown detail. He has, however, very happily succeeded in subordinating the exposition of facts to the generalisation and in bringing a mass of detail into true colour, light, and relation. The Report with its appendices and charts runs, it is true, to some 300 pages, but the Introduction is limited to a dozen pages. Much water has flowed under the bridge since March, 1936, when the Report was concluded; but I am wholly indebted to Mr. Rawlins' informative Introduction for the incomplete, and necessarily jejune, summary which appears on this and the two following pages.

In the National-Socialist State all economic activity must serve the interests of the community. Business interests in Germany must, therefore, regard themselves as subordinate to the general policy pursued by the State. Early in 1933 the German people were told that

"all activities will be governed by the law that the nation does not live for the benefit of the economic system nor the economic system exist for the benefit of capital, but capital serves the economic system and the economic system the nation."

(5) Robbins: *op. cit.* p. 319.

(6) Report on Economic Conditions in Germany to March, 1936, by E. C. Donaldson Rawlins, C.M.G., C.B.E., Commercial Counsellor to H.M. Embassy at Berlin. Department of Overseas Trade. No. 641. (H.M. Stationery Office. 1936.)

It is thus quite clear that industrial and commercial competition is subject to the principle that private profit as a motive is superseded by the common welfare, though not, it is claimed, to the point of complete extermination of the former. Although the National-Socialist Government declares that it does not bind itself to any particular economic doctrine, but continually adapts its plans to prevailing conditions, there is no doubt that this guiding principle of collective solidarity of the national interest is, and is likely to remain, the basis of all Third Reich economic policy. The application of the principle involves the acceptance of sacrifices where necessary, e.g., industry and commerce must submit to price control, wages must be kept low in spite of rising prices of foodstuffs, and the consumer must be prepared to go without certain commodities formerly considered as necessities.

A further feature of National-Socialist policy is the speeding up of old, and creation of new, plans for the organisation of all economic resources within Germany in such a way as to render the country as independent of foreign supplies as possible with a view to guaranteeing a basis of existence for the nation under any circumstances. It is contended that the failure of the farmer would lead to a collapse of German economy and also spell disaster to the whole German nation. . . .

Since 1933 the exploitation of natural resources in Germany has been carried out irrespective of the commercial aspect judged by world market standards. Mining operations for low-grade ores have been considerably extended. Oil boring activities have increased. The synthetic production of petrol, fibres and rubber has been actively promoted. The objects of this expensive endeavour are both social and strategic. Labour for German citizens is provided on German soil and some degree of insurance against the risk of shortage of raw materials in time of war is effected.

Although self-sufficiency is pursued as an ideal, it is recognised that complete self-sufficiency in Germany cannot be achieved—at least for many a long year. . . . In this connection the Chancellor has said:—

“We know that the geographical situation of Germany, a country poor in raw materials, does not permit of self-sufficiency. It must be emphasised again and again that the Government is anything but hostile towards exports.”

He went on to say that Germany must needs keep in touch with the rest of the world, for millions of Germans obtain their livelihood by working for export. . . .

Closely linked up with this pursuit of a greater measure of economic self-sufficiency, the idea of primacy for wartime needs within the sphere of peace-time economics has been lately given a considerable amount of publicity. The needs of what is called “*Wehrwirtschaft*”—a term which is more comprehensive than the English expression “industrial mobilisation”—has become an important factor of National-Socialist economic policy. It has been authoritatively declared that power has always prepared the way for economic measures, that national necessities of a political nature must take precedence of purely commercial motives such as profit earning, and that the peacetime economic organisation of National-Socialist Germany must be one adapted to national military needs.

With regard to the position of the individual, National-Socialists claim that they must put an end to class differences in order to secure national harmony. . . . Individual and class interests are subordinated to those of the national community. Under a Government with full and supreme power of enforcing its will, even to the point of overriding established law, one of the practical results of this theory has been the suppression of strikes, lock-outs, and wage disputes generally.

National-Socialists consider that one of the first obligations of the State is the provision of employment for the population—the worker has a definite claim to work. Further, the Government demands that employer and employee co-operate whole-heartedly in any schemes put forward by the State.

The existence of a strong middle-class, with numerous small and independent undertakings, including shopkeepers and craftsmen, is regarded as a healthy and essential factor in the life of the nation. National-Socialist opposition to large departmental stores arises from this consideration.

Similar social motives have prompted the schemes for the alleviation of distressed areas by the prohibition on removals into thickly populated industrial centres, where the problem of unemployment is most acute, and by the transfer of town dwellers on to the land. These schemes, together with the promotion of agricultural settlement and the reclamation of land, are intended to ensure the health and strength of a growing population.

## II. PROFIT AND LOSS

*"La dernière chose qu'on trouve en faisant un ouvrage, est de savoir celle qu'il faut mettre la première."*—PASCAL, *Pensées*, I.19.

The German Government in their wisdom have discontinued the publication of any comprehensive budget for the last three years or so, and even trade statistics nowadays in the Reich are far from clear and suffer from many imperfections. In such a pass a critic can but act and write up to the best of his lights, conscious all the while that he may be in error.

### 1. A Bird's-eye View.

Most general discussions about German economy begin or end with the question whether the present course can be continued; whether it may not end in a breakdown or collapse, or in an enforced radical change of policy, whereby the meaning of the two first terms is usually not defined. It is remarked that there is a severe strain on the population, and it



is asked whether the strain is not too severe. This is a convenient viewpoint from which to make some general remarks.

It may be said that most persons outside Germany tend to underestimate the strains, and to ignore entirely some of them, but on the other hand to overestimate the chances of critical troubles. German "collapses" and "catastrophes" have been talked of ever since the war, in particular during the inflation of 1919-23 and during the banking crisis of 1931. Undoubtedly these, though not collapses, were serious crises. But there was a speedy automatic recovery from both. To-day even a crisis cannot be spoken of, but there is a strain which is likely to increase.

The strain imposed on the Reich after 1932 closely resembles that imposed on Russia after 1917. Both countries chose to embark on vast civil and military reconstruction works. In both the stock of capital was small. Both by means of credit and currency measures obtained capital out of the current income of the population, virtually by enforced saving, and correspondingly depressed the standard of living of the population, or at least retarded its rise. Nearly all the various strains, including moral strains, which the German population feels, arise, directly or indirectly, out of this process. Almost daily domestic privations and restrictions upon economic activity are officially justified on the ground that sacrifices must be made for "the national cause," "the national future," the sacrifices being reduced real wages, inferior or limited feeding, high-priced and inferior consumption goods, heavy taxation, the virtual commandeering of private capital for state investment, the confiscation of holdings of foreign currencies and foreign securities, and so on; and the need to temper these inconveniences is adduced as justification of further restrictions. All these things arise out of excessive public investment for purposes which are permanently unproductive or which will be productive only after many years, and out of the resulting currency, credit, and foreign-exchange position.

In general the process has been one of using-up, and persons within Germany who predict a collapse declare that it will come when there is nothing left to use up. The reduction of national stocks of foodstuffs, raw materials, and manufactured goods is only one side of the question. By measure after measure inroads have been made on private

financial resources, and the national stock of these has been depleted. Yet officially it is usually intimated that still more sacrifices are impending.

In addition to the material strain, and in general connected with it, is a moral strain ; and here is anguish that the National-Socialists would not or could not straightly confess. The moral strain, apart from political and cultural matters, arises out of the process of universal regulation of business. It embraces practically all industrial, commercial, and capital transactions, including, in particular, the wide sphere of international payments and foreign exchange. This involves a great deal of work, fear, and unpleasantness ; it exposes men and women to a certain amount of bullying, molestation and persecution. Complaints are rather widespread also that it tends to check initiative, and to warp that creative imagination which has always been claimed as a marked German characteristic and a treasured possession.

The bureaucracy is inevitably more bureaucratic than before, and displays no fear of the implications of its themes. Bureaucratic work occupies the semi-officialdom of numerous new Estates and Public Corporations (Nutrition Estate, Organisation of German Business, German Labour Front, etc.), the staffs of business undertakings which have to observe State requirements, and individual citizens. It has been stated that one commercial bank maintains 500 officials for dealing only with foreign-exchange regulations. The manufacturer cannot get raw materials (and then only a ration) except on application, which must be documented by presentation of data of past consumption, present stocks, proof of orders, etc. The importer cannot ever, and the exporter can hardly ever, even initiate a deal without innumerable formalities. The industrial workman must take out and keep in order a work-book, and the farmer, under a recent decree, must keep certain, otherwise unnecessary, records for official inspection. The regulations about shop competition, which are but one branch of much wider retail-trade regulation, fill 700 closely printed pages. The householder must now, as in time of war, keep margarine, bacon and fat cards. The government has no other means of enforcing its system of vetoes, permits, and restrictions than by punishing transgressors ; and in fact nearly all industrial, commercial and financial transactions for which prior official



permission has not been maintained are criminal offences. It has been ruled by the Courts that private citizens who pay for necessities more than the decreed prices—naturally under compulsion—are punishable equally with price-profiteers. Proceedings before the highest Courts show, moreover, that even professional expert officials are not clear as to the meaning of several of the prevailing regulations. The new political organisation, in particular the assembling, marching, and demonstrating, imposes a strain.

The material strain probably falls hardest on the poorer part of the population. Industrial profits and dividends, and, if official surveys are correct, agricultural profits, have risen so substantially that the rise in prices of consumption-goods counts little to the beneficiaries from such profits and dividends. But real wages have not risen at all, wage-advances being forbidden, while the cost of living to working-class families has risen very much. According to the official index, the cost of living, *without direct taxes and social contributions*, has risen since April, 1933, when it touched the recent lowest, only from 115·9 to 125·1 in April, 1937 (index base: 1913-14=100). Observation shows that the cost of living had risen in this time by about 25 per cent. After the wage-earners in industry, the independent petty industrials and *Handwerker* have perhaps suffered most. It is difficult for them to observe the bureaucratic procedure of obtaining permits and rations, for which large industrial concerns can keep special staffs. They obtain with difficulty, or not at all, the smallest rations of every material from iron to leather. Many have been compelled to liquidate their businesses, and in June, 1937, it was learnt that 5,000 craftsmen, alleged to have lost their ability to earn a living, had agreed to become wage-earners. Of late the authorities have sought to hasten the process, whereby highly skilled independent workers are induced to become wage earners in those armaments and raw materials industries in which the labour shortage prevails.

In the same way the petty retail traders are suffering. An official journal announced last winter that 700,000 small businesses of this kind would be compelled to wind up. In their case it is due to limitation on profit-margins and numerous restrictions.

The last two developments indicate the hand-to-mouth nature of official policy. National-Socialist ideology expressly

favoured the petty industrials and petty traders as against capitalistic manufacturers and department stores. But when an emergency arises the first expedient that promises relief is resorted to, and contradictions and notable inconsistencies are then also apt to emerge pretty freely.

I myself, in the course of an extensive motoring tour of over 2,000 miles through the agricultural regions of Germany this Spring, visited the Lausitz and the parts of Silesia round about those borders. In an outlying hamlet, which for facility of reference I shall designate "Lusatia," I had some mechanical trouble which delayed me. I was fortunate in securing a meal with a cobbler who was what the Germans term „*ein biederer Mann*," and the best of good company. He told me that he and his forbears had followed from father to son the cobbler's craft since the days of Frederick the Great, and now he could obtain no leather owing to the scarcity of hides and had been told that he must become a factory hand and migrate. His distress was very real. My personal observations were that the level of happiness and well-being was higher in Bavaria, the Palatinate, Hanover and Oldenburg, than in Saxony, which is largely dependent on the export trade, and in Silesia. Mecklenburg and Pomerania I did not visit. Farmers, land-owners and workers in munition and synthetic factories are all favoured categories of the population. The inhabitants of, say, 40 to 65 years of age are, generally speaking, somewhat depressed in the interests of people under 40.

The above are only some factors in the general strain. Those persons who predict breakdown refer in particular to the shortage of raw materials, or of labour; the possibility of a cyclical reaction in business, or of a reaction caused by contraction of State work-creation and rearmament, and of a failure to maintain industrial equilibrium; acute foreign-trade or foreign-exchange troubles; state financial insolvency, etc. Most of these matters are interconnected.

It is not likely that industry (apart from the manufacture of export goods) will be very severely hampered by shortage of raw materials. It is true that stocks are low, and that in some branches, such as iron and steel, the expansion of home output has ceased, while import continues small. But the output of basic raw materials (iron, steel, cement, etc.) is greater

than sufficed for earlier periods of high industrial activity. The government can restrict export, which is still very considerable. The export of coal, as will be seen from the table in Appendix A, is now greater than from Great Britain. The output of substitute materials is increasing. In an emergency, import could probably be increased, being paid for out of the unrevealed reserve of foreign exchange which almost certainly exists. Moreover, once the initial rearmament stock has been created, the maintenance and renovation of defence would absorb a relatively small quantity of materials.

It is hard to see how a labour shortage could cause trouble to industry as a whole, though it might cause trouble to particular branches. The present shortage prevails mainly in building and iron and steel, and the government has considerable powers, and exercises them, to divert labour locally and from one branch to another. Concerning the total labour supply, the *Institut für Konjunkturforschung* points out that during all pre-war good trade periods large numbers of persons who were not normally workers were drawn into the production process, and it predicts that two millions will be added to the labour supply in 1937 and 1938.

On the possibility of foreign-trade and foreign-exchange troubles the data contained in the sections devoted to these subjects are the best comment. The government has always the resource of cutting down still further the debt-service transfer, and if the foreign-exchange emergency were caused by a decline in the active trade-balances with clearing creditor countries, these would not be able to exact transfer.

It is suggested that industrial activity may decline owing to normal cyclical causes, or because State work-creation and rearmament will cease. It was certainly not the original National-Socialist notion that industry would be kept permanently active by these State incentives; but it was also the notion that cyclical fluctuations would be prevented by general government control. It was believed that once a high level of activity was brought about by State investment the same activity would be maintained, the centre of gravity, however, being transferred to consumption goods. The National-Socialist Government (like the Russian) claimed to have eliminated the factors that in capitalistic countries lead to cyclical trade fluctuations. Violent price movements and speculation had, it was proclaimed, been done away with.

The State would apply enough power to set the motor going (*Ankurbelung*), but thereafter the motor would have to work with its own fuel.

In fact no State-financed work-creation schemes proper have of late come out, and it is announced that there will be none. Two years ago it was announced that industry would soon have to look after itself. Even rearmament activity would slacken. But it does not seem that industry has yet reached the stage of self-motion. At this juncture comes the State-devised Four Years' Plan for rapidly increasing the home raw-materials production. Here the State is not the investor, and in general not the giver, of credits. But such State-financing, it is held, is not necessary, owing to the new abundance of capital in the form of internal accumulations. It seems, therefore, that industrial activity will continue, mainly upon a capital goods basis.

Unemployment figures, as in other countries, are satisfactory. From over six millions in 1932 the total of registered unemployed had fallen at the end of May, 1936, to 1,491,000, and in May, 1937, it fell again by 189,000 to 776,000.

A financial collapse of the State is difficult to envisage. For current expenditure the Reich can count on a continuing high tax revenue. German taxpayers are very honest, and the collection of taxes is remarkably efficient. If the main armaments expenditure (constitution of a stock, erection of barracks, etc.) has terminated, current military costs ought to be easily covered. But if the Reich chooses to continue spending in excess of tax revenue, it can seemingly for a long time practise the methods described in the section "*Finance*," without worse results than a certain aggravation of the strain on the population. *The regularly scheduled total public debt, plus the officially admitted unscheduled debt, is only about two years' purchase of the total tax revenue.* It is true that the smallness of the debt is due to the virtual extinction in 1919-23, by way of currency depreciation, of the pre-war and war debts, and that the reduced taxable capacity of the population must be set off against the disencumberment of the State. But as time passes this tends to become a mere fact of history.

Certain it is that if the Reich needs money to cover Budget deficits, or for further capital investment, money can be obtained. The system involves a certain inflation. It is, however, practicable because the Reichsmark is purely

an internal currency, and because the automatism of home purchasing power and foreign payments balance no longer exists.

## 2.—Foreign Trade

There is a great deal of crude and indeterminate thought abroad about the recent development of German foreign trade but, despite official returns, it may be doubted whether, if correct measures of value were applied, any export surplus truly exists. The following table appeared in the Berlin press on May 15th, 1937 :

### GERMAN FOREIGN TRADE, JANUARY-MARCH, 1937

#### SPECIAL TRADE WITH THE MORE IMPORTANT COUNTRIES

(Values in millions of Reichsmarks)

Country	Imports from	Exports to	Country	Imports from	Exports to
<b>TOTALS ...</b>	<b>... 1,091.6</b>	<b>1,283.1</b>	<b>OVERSEAS ...</b>	<b>442.0</b>	<b>405.2</b>
<b>EUROPE ...</b>	<b>645.8</b>	<b>876.7</b>	<b>AFRICA ...</b>	<b>93.4</b>	<b>48.5</b>
Belgium and Luxem.	40.0	63.5	Egypt ...	11.8	10.6
Bulgaria ...	13.5	13.1	Former German		
Denmark ...	34.8	49.6	East Africa ...	1.2	1.0
Danzig ...	2.5	3.6	Former German		
Poland ...	13.7	13.2	S.W. Africa ...	1.5	0.5
Estonia ...	2.8	4.1	Former German		
Finland ...	8.5	13.2	Cameroons ...	3.1	0.6
France ...	33.0	70.8	Belgian Congo ...	9.7	0.8
Greece ...	18.8	18.3	Nigeria ...	8.8	2.8
Great Britain ...	71.4	94.9	Union of S. Africa ...	21.3	18.9
Irish Free State ...	2.1	3.0	<b>ASIA ...</b>	<b>142.7</b>	<b>153.6</b>
Italy ...	51.9	69.1	China ...	17.8	35.2
Jugoslavia ...	32.7	23.8	Iran ...	5.9	16.2
Latvia ...	5.7	5.0	Japan ...	6.6	27.6
Lithuania ...	2.6	3.0	Manchukuo ...	14.0	2.5
Memel ...	0.8	0.8	British India ...	44.1	34.2
Netherlands ...	39.5	98.7	British Malay ...	19.3	3.7
Norway ...	22.2	31.4	Dutch East Indies... ..	25.6	11.8
Austria ...	21.5	25.7	<b>AMERICA ...</b>	<b>190.1</b>	<b>192.1</b>
Portugal ...	6.6	6.6	United States ...	44.2	45.0
Roumania ...	35.0	25.5	Canada ...	8.1	5.5
Sweden ...	46.2	55.7	Argentina ...	17.7	31.2
Switzerland ...	20.4	52.8	Brazil ...	35.1	39.4
Spain ...	13.5	6.8	Chile ...	13.2	12.4
Czechoslovakia ...	25.7	33.9	Colombia ...	10.4	7.1
Turkey ...	38.8	17.1	Mexico ...	15.1	14.3
Hungary ...	27.6	23.3	Peru ...	6.3	7.5
U.S.S.R. ...	11.3	48.4	<b>AUSTRALASIA... ..</b>	<b>15.8</b>	<b>11.3</b>
			Commonwealth of		
			Australia ...	13.4	9.4
			<b>VARIOUS ...</b>	<b>3.8</b>	<b>1.1</b>

On paper these figures show an export surplus of Rm.191,500,000 in the aggregate, and one of Rm.230,900,000 for trade with European countries alone. Yet this impression is deceptive, for the export surplus apparently procured for Germany little or no foreign currency.

It is very hard to disentangle Germany's current external trade position, but there are five governing conditions to be borne in mind :

The *first* is that up to a point the first charge on Germany's export surplus, whether inside or outside the scope of barter or clearing agreements, is the service and liquidation of her external debts, including accumulated trading debts. And even so, this did not relieve Germany from resorting to standstill agreements, blocked accounts, and all the modern paraphernalia of a country which owes more than it can pay. She is reducing her foreign indebtedness, but only very slowly.

The *second* is that a large part of her external trade has been conducted on a basis of barter or exchange clearing, so that it does not affect one way or the other her supplies of gold or foreign currency (*Devisen*).

The *third* is that as many of Germany's imports through her clearing schemes are not made at world prices it becomes very difficult to calculate precisely the total value of her external trade, or to make it agree with her actual payments and receipts for imports and exports.

The *fourth* is that, so long as the depression lasted, Germany as an important consumer of food and raw materials was able to conclude advantageous clearing agreements with many primary producing countries. World recovery and the increased world demand for primary products, and certain other factors, are making it less easy for Germany to renew these agreements on such advantageous terms.

The *fifth* is that Germany was at an initial disadvantage by comparison with other Powers, and had much leeway to make up, in rearmament. Accordingly a very marked change and displacement (*Verschiebung*) supervened in the character of her imports since 1932. Such imports as since took place were largely raw materials for armaments rather than foodstuffs and fodder for home consumption and raw materials, etc., for use in the manufacture of goods for export. In the first half of 1937, however, imports of grain suddenly reached great dimensions ; some 299,000 tons of wheat were imported, which is twelve times the net import in the whole of 1936.\*

Germany's export surplus *vis-à-vis* Europe yields practically no free gold or foreign exchange ; and, in the first quarter of 1937, she was faced with an export deficit of Rm.39,400,000 *vis-à-vis* the rest of the world. It must be emphasised that certain countries, such as the United States, will only sell to Germany for free exchange. Germany has, in fact, always needed a large export trade because, as a predominantly

\* Tons, in all instances cited throughout the article, are metric tons.



industrial country, with only slender resources in foreign investments, she could neither clothe nor feed her population unless she procured sufficient foreign exchange (in return for exports of her manufactured goods) to enable her to purchase the requisite quantities of raw materials, semi-finished goods, foodstuffs and fodder.

Again, up to 1931, Germany was meeting heavy external liabilities in the form of reparations and the service of her external debts, and these fully absorbed her export surplus, which in 1931 was *Rm.2,871,600,000*. After 1931 reparations payments ceased and her debt payments were greatly reduced; but even so her export surplus of *Rm.1,072,600,000*, in the year immediately before the National-Socialists came into power, was fully absorbed. In 1934 there was an *import* surplus of *Rm.284,000,000*, and while 1935 and 1936 witnessed *export* surpluses of *Rm.111,000,000* and *Rm.550,000,000* respectively, these were still wholly inadequate for her needs.

In short, Germany is driven by her normal needs for imports (in the shape of food, fodder, raw materials and half-finished goods for use in the manufacture of goods for export and home consumption), augmented by her present abnormal needs for additional imports in order to carry out her rearmament programme, to maintain a large export *trade*, whilst, if she is to acquire free exchange, to replenish her depleted gold reserves, or to repay her debts, she also needs a large export *surplus*.

Before the National-Socialist era a very considerable part of the German export yield was used to pay for the import of foodstuffs and fodder. Even so late as 1933—the first year of the new era—the German import of foodstuffs (Nutrition Group) was *Rm.1,630,000,000*; in 1936 it had fallen to *Rm.1,499,000,000*. In the same period the import of raw and half-manufactured materials rose from *Rm.2,069,000,000* to *Rm.2,321,100,000*; and this despite the lower export surplus of 1936 by comparison with 1933. The import of cereals has increased, however, very markedly, as has been stated, during 1937.

The present system of direct import restriction properly dates from 1931, the year of the transfer crisis. Thereafter importing merchants were given a foreign-exchange ration based on (but never equal to) their actual imports of 1930.

This ration was rapidly cut down, ultimately to 5 per cent. of the basic sum, and the system was finally abandoned. After various experiments Dr. Schacht, in September, 1934, announced his New Plan, to be administered by 26 Supervision Boards for different branches of import. Their jurisdiction covers practically all proposed import deals. Factors in their decisions are the stock of exchange available, the stock of goods in the country, prices, former consumption by the applicant, the proposed delivering country, etc.

The first principle of the Plan of 1934 was that import should not exceed the value that could be covered by export. This policy naturally involves measures to influence export as well as to control import. Owing, however, to the low level to which import had fallen before the Plan of 1934, not much was to be accomplished on the import side. Many measures, some taken before the date of the Plan of 1934, were devised for fostering exports. They were, for instance, subsidised with profits derived from repurchasing depreciated German bonds and from buying up at a discount foreign blocked balances. Various compensation and currency systems (including "*Aski*" accounts, which consisted in paying exporters to Germany with blocked marks which could be sold to importers from Germany) were designed to make possible German export deals that would not have been possible by ordinary commercial methods. In 1935 roughly 20 per cent. of all German export was conducted by virtue of compensation or *Aski* mechanisms. Owing, however, to the discovery that such exports were often not really supplementary to, but competed with, ordinary exports, and to other alleged defects and abuses, these systems were progressively restricted, and late in 1936 were almost entirely abolished. In April, 1937, a modified form of *Aski* was announced in order to facilitate the import of American cotton.

In the meantime, early in 1935, Dr. Schacht had launched his scheme of direct export subsidies. In principle this system somewhat resembled the procedure of the Ruhr Coal Syndicate, which imposes a per ton assessment for the subsidy of sales to foreign destinations. The Schacht levy, usually termed "The Self-help of Industry," was never officially announced, but was often referred to indirectly. Manufacturers and exporters have been forbidden to give information on the subject. The levy is assessed on business turnover, and the



rate varies in different branches. The amount collected in 1935 was believed to be some *Rm.*700 millions, and in 1936 probably about the same. No subsidy is paid on goods in which Germany can compete, nor of course on those in which she has a virtual monopoly. With recovery in world trade the tendency of exporters is to strive to do without the export subsidy and thereby escape a measure of the Government control and supervision.

The present tendency is towards an increase in German export of manufactured capital goods (machinery, etc.). Since 1934 this export has risen some 34 per cent., whereas export as a whole has risen only about 15 per cent. The export future depends mainly on manufactured goods. Total exports are said to have risen from *Rm.* 4,270 millions in 1935 to *Rm.*4,768 millions in 1936, and the export of manufactures is said to have risen from *Rm.*3,312 millions to *Rm.*3,802 millions in the same period. The year 1936 showed export increases, often very substantial, for machinery, ironwares, ships, automobiles, electrical articles, textiles, paper, miscellaneous metal wares, fine mechanical articles, musical instruments, etc. Machinery export, which touched a low level of 253,000 tons in 1934 (against 701,000 tons in 1930), increased only to 255,000 tons in 1935 and rose to 336,000 tons in 1936.

In the first quarter of 1937 the export of manufactures continued to rise, being *Rm.*1,019 millions against *Rm.*891 millions in the same quarter of 1936. If export increases, a rise in the imports of food and materials seems possible and is perhaps more likely than any large replenishing of the exchange and gold reserve of the Reichsbank. As security for the mark note circulation in Germany the gold reserve no longer plays a role.

I have placed the German foreign trade position early in this section of the survey because it would seem to overshadow the whole outlook. A main cause of Germany's economic discomfiture—real wages per hour have not risen, and ration cards were introduced in April, 1937, for bacon, lard and margarine, which has gone up in price 44 per cent. in two years—lies in the pace, the faulty timing, and the scale of her rearmament, coupled as it is with widespread and feverish development of synthetic processes of manufacture that, in the early stages at any rate, are enormously

costly. Industry and trade, moreover, are burdened with the support of a double State machine, constitutional and party, and with heavy and duplicated overhead charges.

Some of these matters will be examined in greater detail on a later page.

The present self-sufficiency movement is connected with the deterioration of the German foreign trade balance, which became passive in 1934, with the depletion of the currency reserves, with defence considerations, and with National-Socialist Party ideology which, despite denials to foreigners, undoubtedly regards self-sufficiency as an end desirable in itself.

Defence is admittedly more important than opulence, yet in defence the financial factor may prove decisive. If we want to regard the whole problem in its true proportions we should enquire what is the rational, what the maximum, utilisation of the country's resources. To maintain an industry regardless of whether the factors of production thus employed are as productive there as they would be if devoted to other uses, is fruitless and wasteful even from the national, as well as from the international, point of view. To raise bamboos in German hothouses or soya beans in *Unter den Linden* under an army of interfering officials and in pursuit of the self-sufficiency of Berlin would justly be scouted as a *reductio ad absurdum* when site values in the metropolis are reviewed. But this is after all only a question of degree, and to urge such a costly cultivation of bamboos and soya beans is, from the moment defence considerations are not in question, merely to carry the conception of self-sufficiency to a logical extreme. Once we close our eyes to the differing consequences of climatic and geological variations, or to the very real advantages of a division of international labour, or to relative costs of production, we become so positively hypnotised by the conception of self-sufficiency and State regulation that we approach very close to pure mysticism. Yet economic truths, wherever they may lie, have a way of enforcing themselves and may be trusted to prevail.

In Germany the departure from the maximum aggregate productivity of the country has been considerable, the retardation in the speed of her general economic development has been great, the sacrifice of her potential wealth has so far been very serious, and there is a fifth and superfluous wheel to every industrial, agricultural and commercial coach in the land.

No country, not even the richest in the world, would be able to pursue at one and the same time the policies Germany has sought to carry out without placing a very severe strain upon the whole economic structure. Dr. Schacht has ascribed her difficulties to an inadequate supply of raw materials, and has associated the deficiency with the question of the Mandated German Colonies. This line of argument is not entirely divested of some degree of exaggeration; and his conclusions have been criticised on the ground that they do not follow from his assumptions, which he habitually implies, but seldom expressly states. Not unless those Colonies had been the island home of the Swiss Family Robinson would they have yielded such miraculous harvests as self-sufficiency postulates.

Neither Russia, nor the British Empire, nor the United States is self-sufficient. One and all must import something and the optimal results from the commercial standpoint alone are obtained by buying in the cheapest and selling in the dearest market. Germany, and indeed Great Britain to a lesser degree, have decided that for strategic reasons certain commodities *must* be home produced. It is a question of expert knowledge, scientific and financial as well as military and naval. But it is also a question of degree.

"A man, like a watch," wrote William Penn, "is to be valued for his going," and the same adage may be applied to the conception of self-sufficiency. It makes a dazzling appeal to many minds, but unless hard facts can be removed by soft words it is proving in some important respects, such as the acid tests of the standard of living and the nourishment of the people reveal, a scheme of wasteful makeshifts, illusory compensations and dislocated expedients. Germany has admittedly made a remarkable recovery in employment; but the recovery is almost universal and is not peculiar to Germany, where a great deal of wealth has been spilt all round and quite unnecessarily.

### 3. *Synthetic Processes.*

#### (i) *Preface.*

Synthetic products are no German monopoly. Much has been, and is being, done in this line in Great Britain. The range of plastic materials, as well as their fields of application,

are continually increasing. Synthetic rubber-like substances (*duprene*, *neoprene*) have been in use for a while already ; here they are not being used instead of natural rubber, but for special purposes where their peculiar properties are most useful. In the textile field impregnated materials to give a variety of properties—resistance to moisture, chemicals, dry-cleaning, etc.—to fabrics are being developed, as well as different appearances, for example, a linen-like finish to cotton fabric. Other types of fibres are also being developed ; rayon fibres are being made to spin on cotton machinery (staple fibre) and to possess certain heat insulating properties like wool. Completely new fibres are also being worked on ; in this field it is not the aim in Great Britain to reproduce the old well-known fibres, but to obtain fibres with new properties or effects. Herein lies the great difference from, say, the Germans and the Italians, who aim mainly at eliminating the imported fibres, with the result that the new materials are not infrequently used in the wrong way and thus sometimes produce inferior results. A great deal has also been done in this country in the field of fuels and metallurgy, but some of the most interesting of this work has to be treated as confidential.

In Germany two reasons are usually advanced for the development of synthetic processes. One is that a large supply of indispensable material may be available in the event of war. The other, which will not carry general conviction, is that in view of the plethora of internal currency and the shortage of foreign exchange it is more important to find the means of producing a raw material inside the country than to procure the necessary foreign exchange to pay for the imported natural product even at a lower price level.

In addition to its system of credits, bounties, and minimum guarantees for raw materials, the Reich recently began to give profit guarantees to industry for new raw-material undertakings and synthetic factories, and further to guarantee against loss those Banks that advance money for investment therein. The amount and the exact character of these guarantees are not divulged.

In Germany the linen industry has made greater progress than any other branch in textiles, but space precludes entering into detail ; some further data will, however, be found on a later page. Cloth for home consumption is now largely

made of mixed materials, usually : 40 per cent. new natural wool, 40 per cent. fibre-textile (*Zellwolle*), and 20 per cent. old (*shoddy*) wool. Two illustrations, petrol and rubber, may be given of what is taking place or contemplated in other spheres of synthetic production.

### (ii) *Petrol.*

It may be mentioned that five new oilfields have been opened up in Germany and some satisfactory developments have been reported ; but the total requirements of the country in mineral oils are over 4 million tons a year, so that Germany is not very likely for a long while to come to be independent of both imported petrol and of the synthetic product, which is largely, though not exclusively, worked by the Fischer-Tropsch and the Bergius processes.

No figures of the actual cost of synthetic petrol have been published and, if they were, they would probably contain a large element of estimation owing to the relatively short time that the various plants have been in operation. It can, however, be said with certainty that synthetic petrol is more than double, and possibly between three and four times, as expensive as natural petrol. The amount of the duty protection given to home-produced petrol provides a fair indication of the extent to which the cost of synthetic oil exceeds that of natural petroleum products when purchased at world prices. In 1936, the average cost, c.i.f. Hamburg, of first-grade petrol from the Gulf was Mks.62 a ton, excluding import duty. In the first eleven months of the year duties on imported petrol amounted altogether to Mks.225 a ton and duties and taxes on home-produced oil from German raw materials, including coal, amounted to Mks.10 per ton, thus giving a net protection in favour of the latter of Mks.215 per ton, or nearly 350 per cent. *ad valorem*. Although duties on both imported and home-produced petrol were raised in December, 1936, the relative amount of protection was not reduced.

The selling price of petrol to the public in Germany is based on the imported duty-paid cost ; in other words, the home-produced petrol gets the full benefit of the protection. It may be mentioned parenthetically that in Great Britain

home-produced petrol from coal at present receives protection equal to 8d. a gallon; this is nearly 200 per cent. of the c.i.f. value of imported first-grade petrol, and, according to a recent announcement of the Chairman of I.C.I., it is doubtful whether profitable production is possible at present even with this high protection.

In 1936, petrol obtained from coal, including benzol, represented about 33 per cent. of all motor spirit used in Germany. This percentage is expected to increase rapidly as new plants for the production of synthetic petrol are completed under the Four Years' Plan; it has been officially stated that the objective is 100 per cent. self-sufficiency in relation to the normal supply of motor fuel. This does not mean that the entire requirements are to be produced from coal; petrol distilled from German crude oil and vegetable or synthetic alcohol will continue to furnish a small part, possibly about 15 per cent., of the total supply. It is impossible to foresee whether the plan will be completed by any given date, but it is safe to assume that by 1940 imports of petrol will be reduced to a relatively insignificant figure, unless in the meantime the German Government is forced to recognise that the high cost of motor fuel to the consumer and the loss of the large revenue derived from the duty on imported petrol are involving too great a strain on the German economy.

### (iii) *Rubber.*

The Germans are producing an admirable artificial rubber called *Buna*. It is not yet in commerce on any large scale, and it is very difficult to obtain knowledge as to the costs of production and the selling price to the public in Germany; there has, however, been ample opportunity for prolonged tests by the military authorities. Some supplies have been available outside Germany on the basis of about 4s. a lb. which compares with about 9d. a lb. for the natural product. Mass production will have to show some spectacular decreases in cost if the artificial product is to compete on any strictly commercial basis with natural rubber. Cost will, of course, tend to be not only a function of use, but also of German economic conditions and prices. *Buna* has certain specialised uses, to which, no doubt, it will first be put in view of



the relative prices of synthetic and natural rubber. It is understood that Germany is at present producing approximately 300 tons of *Buna* per month, of which two-thirds are being used in the country and one-third for export purposes.

One of the world's greatest motor racing specialists, who is neither German nor Russian, has expressed the following opinion :

" The best synthetic rubber tyres are those made by Russia, but they have only 60 per cent. of the life of first-class natural rubber tyres. On the other hand, the synthetic tyre is flexible and therefore resilient, and it is quite possible that in the near future improvements will be incorporated whereby the life will be increased. It is yet early days to give any information as to the qualities of the German-made synthetic tyres, but at any rate it may be taken that the Russians are in advance of anything the Germans have yet turned out."

Possibly the Germans could produce another racing expert of world repute to affirm that their synthetic tyres, which are produced by the polymerisation process from lime and coal as ultimate raw materials, are superior to the Russian tyres, which are believed to be produced from potatoes specially developed for the purpose.

Germany imported 73,415 tons of rubber, raw or refined, in 1936 and the requirements in 1937 will probably be well over 80,000 tons. All, except a very small quantity, comes from abroad ; but in May, 1937, a new customs duty of Rm.125 per double cwt. was imposed on the natural product. The reason for this step is declared, in authoritative quarters, to be the necessity for creating a commercial basis for big production of *Buna*. *Isoprene* and other rubber substitutes remain duty-free. The new import duty evoked the comment by Professor van Gelderen, of the Dutch Colonial Office, that the manufacture of the synthetic product was too expensive to threaten the rubber plantations.

Nevertheless, the Germans maintain that the practical results they have obtained from *Buna* are now such that a commercial future can be claimed for it. It is, however, in expert opinion, very doubtful whether they can produce a commodity as durable as rubber without an admixture of fibre not grown in Germany. The first big works for the

manufacture of *Buna* will probably start operating early in 1938, and it is expected that the productive capacity of the new factory will amount to at least one-third of Germany's total requirements in natural rubber at the present time. Subject to a reasonable cost price it is also anticipated that within two or three years all pneumatic tyres in Germany will be from *Buna*. It offers more resistance to chemical solvents than does the natural product, and it is particularly advantageous for the inner lining of hose used for oil purposes. The makers also claim that it gives results at least equal to natural rubber in so far as concerns one particular aspect of tyres, namely the non-abrasive qualities of the protector or tread.

It is very hard for the detached observer to avoid the conclusion that the large-scale substitution of a costly State-subsidised synthetic product for a cheap imported natural product, is, in the final analysis, inducing an abrasion of Germany's capital resources.

In 1929 the imports of rubber (*vide* section 98 a-c of the official German foreign trade returns) were about 54,000 tons, and in 1932 about 43,000 tons. In 1933 they were 58,217 tons; in 1934, 63,661 tons; in 1935, 65,135 tons; and in 1936 73,415 tons. Thus, since the advent to power of the National-Socialists, and despite the sharp rise in world prices, the import in weight increased very markedly.

If we take into account that home requirements are far from being satisfied—for example, in the Spring of 1937 a regulation was issued that breweries were to employ again their old horse waggons so as to save pneumatic tyres—and that vast investments of capital in synthetic rubber factories are being made, we recognise that the increased imports must have been disposed of for purposes of defence. Notwithstanding the increased output of motors, which are mostly adaptable for military purposes, the available supplies have not passed into civilian use. In accordance with a series of regulations, it is clear that natural rubber may only be used in quite small quantities for civilian purposes, and then only if mixed with a much greater quantity of synthetic rubber. Moreover, the increase in the imports of rubber in 1936 by comparison with 1929 has been accompanied by a falling away of the exports of rubber goods from 22,800 tons to 16,430 tons.



#### 4. The Utilization of Raw Materials.

##### (i) Preface

The deficiency of raw materials is accorded priority of emphasis by the Germans in their list of economic grievances.

Bearing in mind that the import of raw and half-manufactured materials rose from Rm.2,069,000,000 in 1933 to Rm.2,321,000,000 in 1936, and that there was a considerable fall during the same period in the import of foodstuffs, let us inspect one or two typical instances of the recent utilisation of raw materials in Germany. In order that we may keep a right perspective, I would, however, preface what is to follow with certain general observations.

In *The Times* of May 27th, 1937, Dr. Schacht, speaking in Paris, is reported to have deplored *inter alia* that nothing had yet been done to remove the prevailing inequality between nations in the matter of raw materials. Far be it from me to suggest that this subject is one undeserving of the closest and most attentive consideration, and every fair-minded individual must deplore that so little has hitherto been accomplished. Nevertheless, it is not irrelevant to turn to another page of the same issue of *The Times*, where Mr. Saito, the Japanese Ambassador at Washington, almost on the same day is said to have expressed confidence that the study of this problem by the League of Nations Committee would contribute to a better understanding. His Excellency added :

" Nations lacking raw materials have no difficulty in gaining access to raw material supplies to-day. Nations like Japan have no trouble in getting raw materials from countries producing such materials. Their difficulty is paying for the raw materials which they need. In order to buy such materials they must sell abroad, for only in this way can they obtain the necessary exchange with which to make such purchases."

The German Government, and no foreigner would presume to question their judgment, deem it indispensable to make good on a very generous scale deficiencies in their armament, to equip their munition factories with all the very latest facilities, to embark upon heavy unproductive expenditure, and to excel all others in the rapid construction of their truly

magnificent two-way strategic roads, which ere long will have covered a length of over 5,000 kilometres.

Yet there is now a very keen demand from abroad, far greater indeed than can obtain satisfaction, for that high-class machinery and those other highly-finished goods in which the German mechanic shows such enviable accuracy and pre-eminence. The widespread demand arises from the recent recovery from world depression. Economists, with somewhat wearisome and doleful ingemination, tell us of an impending slump. If these prognostications are correct it is hard to appreciate why the present fleeting opportunity is not being seized by the Germans to sell their coveted manufactures in largely increasing quantities to eager buyers. Were they to adopt such a course they would build up a vast fund of foreign exchange (*Devisen*) and be able to give effect to the procedure lucidly described by Mr. Saito. Shakespeare's genius is so universal that eminent Germans have flattered us by thinking that he almost seems to be a native of every country and of Germany in particular.

" There is a tide in the affairs of men  
Which taken at the flood, leads on to fortune ;  
Omitted, all the voyage of their life  
Is bound in shallows and in miseries."

In addition to the foreign demand for German goods, which may necessarily slacken ere very long, there is perhaps another cogent reason for slowing down the pace of rearmament, namely the devastating speed of modern obsolescence. I have no first-hand knowledge of the technical side of aviation, which we may take as an illustration, but a distinguished flying friend has given the following data :

In 1933 the speed of a medium bomber was about 150 m.p.h., and that of a fighting plane about 200 m.p.h. In 1937 the corresponding speeds are said to be about 280 m.p.h. and 300 m.p.h. ; moreover, the rate of climb of a fighter is about double that of 1933. Duration of flight is approximately the same as in 1933, but the range has, of course, been enormously increased owing to the higher speeds. If we assume both earlier and later bombers with a full war-load, this told against the earlier ones where the bombs were carried outside. Now the

general improvement in design, including the carriage of the bomb-load in a false bottom of the wing or fuselage, obviously improves the relative performance of the later types of bombers, which nearly all have retractable under-carriages.

If hostilities ever again break out we may be sure that, whatever the cost, there will be no failure through mechanical defects in German aeroplanes or tanks in the day of performance. This does not, however, detract from the lamentable fact that there was a costly mass production of both in Germany before recent, and very notable, improvements in design had been introduced; and there is now an unpleasing and deplorable duplication of expenditure, solely as the result of an earlier and wasteful absorption of precious raw materials. I write under correction, but according to German publications it is affirmed that nearly a ton of aluminium is required in a fighting plane and three tons in a heavy bomber.

There have lately, it is true, been signs of what may prove to be a marked change of direction in favour of increased German exports. Be this as it may, up to the month of April last, and for the last three or four years, a characteristic feature of the German position had been that a rising proportion of the national income, accumulated savings, and foreign credits had been sunk in armaments. The result was that vital resources were diverted from the remunerative development of industry and agriculture, from the formation of a reserve of foreign exchange (*Devisen*), from the due service of foreign loans, and above all, from the adequate feeding and clothing of the masses. This does not, perhaps, apply to munition workers, who, as a favoured category of the population, are possibly better fed, housed and clothed than before and may be happier and more contented. Expenditure in armament factories, both on costly equipment for research and on the welfare of the staff, is, indeed, very high.

Comparison of the quantities of raw material imported for armaments up to the end of 1936 with the volume of foreign trade as a whole shows that the armament percentage has risen sharply; it is no less true that exports of manufactures produced from raw materials, as indeed exports as a whole, fell sharply in 1934, 1935 and 1936.

Examples of what has taken place may be outlined in regard to copper and aluminium, two important ingredients

in the production of armaments. The figures quoted are from the German official returns.

(ii) *Copper*

(Metric Tons)

			1929	1932	1934	1935
Home Production	...	...	119,400	155,000	170,600	190,400
Imports	...	...	262,000	175,100	228,600	216,000
Totals	...	...	381,400	330,100	399,200	406,400
Exports	...	...	48,700	54,700	14,000	3,100
Balance left in Germany	...	...	332,700	275,400	385,200	403,300

Although, on the basis of expert calculations, the civilian consumption of copper has been replaced by substitutes (such as aluminium) to the extent of at least 50%, an increase of some 70,000 tons in the available supplies of copper in Germany, according to the above figures, took place in 1935 by comparison with 1929.

If we add the amount of copper diverted from civilian consumption and estimated at 165,000 tons, it appears that about 235,600 tons of additional copper have been engulfed in armaments and especially in munitions. So far as statistics are available, 1936 shows an amount by no means inferior to that of 1935. The import of copper itself in 1936 fell, it is true, from 216,000 tons to 195,000 tons, but the net import of copper ores showed a rise from about 395,000 tons to about 477,000 tons. According to the *Institut für Konjunkturforschung* the home production of copper rose in 1936 from 186 to 214 on the basis of 100 for the year 1928. Thus the total supplies of copper for 1936 appear to have risen again sharply.

(iii) *Aluminium*

(Metric Tons)

			1929	1932	1934	1935
Production	...	...	32,700	19,300	37,200	70,700
Imports	...	...	14,200	1,700	6,400	18,000
Totals	...	...	46,900	21,100	43,600	88,700
Exports	...	...	4,100	2,500	700	200
Balance left in Germany	...	...	42,800	18,600	42,900	88,500

The world production of aluminium shows in 1935 by comparison with 1929 almost the same totals for both years, after undergoing a sharp fall during the years of depression; it amounted to 279,000 tons in 1929 and to 264,000 tons in 1935. During the same period, however, the German supply increased from 42,800 to 88,500 tons, and thus was more than doubled. In 1929 Germany consumed about 18% of the total world requirements; in 1935 she absorbed more than 50% of the consumption of the whole world.

#### (iv) *Bauxite*

The actual import of aluminium fell away somewhat in 1936, but the total supply in the country was heavily increased inasmuch as big aluminium factories, wherein vast sums were invested, were erected during the year. The home production of bauxite, the essential raw material for aluminium, stood at only 1,600 tons in 1932, rose to 19,300 tons in 1934, and to 40,800 tons in 1935. The importation of bauxite—which came mainly from Central European States under clearing agreements, and has for the most part remained up to now unpaid—had risen to 505,000 tons in 1935, against 326,000 tons in the year 1934. In 1936, according to official statistics, the importation of bauxite attained 981,000 tons. In face of these astronomical figures the drop in the imports of aluminium in 1936, from 18,000 tons to 6,200 tons, is of relatively minor importance.

#### (v) *Export of Metal Wares*

Let us, in order to test the extent to which munitions and armaments have been piled up to the detriment of the German export trade, examine the scale upon which metal wares manufactured out of German home or imported supplies have been exported from Germany.

We have already seen the extent to which German supplies of copper rose between 1929 and 1935. The rise took place during a period of great shrinkage of world trade, and of still greater shrinkage of German foreign trade. According to German official statistics, the export of German wares made of copper and copper alloys amounted in 1929 to 173,929 tons, and had fallen in 1936 to 19,365 tons. The marked increase in German supplies was, therefore, accompanied by a fall of exports in 1936 to about one-ninth of the returns for 1929.

A whole gamut of other telling illustrations could be furnished. Despite the rise in imports of essential raw materials, the export of electro-technical goods, including electrical machinery, fell from 163,353 tons in 1929 to 131,754 tons in 1936.

#### (vi) *Textiles*

The net imports of cotton were about 358,000 tons in 1929, 349,000 tons in 1935, and 325,000 tons in 1936. But in 1930 the German artificial silk production was 58 million lbs. and by 1936 had risen to 112 million lbs.; and the production of staple fibre, which stood at zero in 1929, rose to 10 million lbs. in 1933 and to 65 million lbs. in 1936. Germany is now second only to Italy in the Synthetic textile trade of Europe. The use of pure cotton in the textile and clothing industry has been strictly forbidden, and artificial materials with a small admixture of cotton are being utilised for civilian requirements. Thus there must be enormous reserves of raw cotton for munitions in Germany, and of military supplies produced from cotton. The exports of pure cotton goods in 1929 were about 83,000 tons, whereas the official returns for 1936 show that cotton cloth, cotton knitted and other finished cotton goods, was 18,357 tons.

#### (vii) *Flax, Hemp and Jute*

The imports were 231,000 tons in 1929 and rose to 242,000 tons in 1935. The aim in view was to increase home production by means of subsidies, especially in regard to flax; but things did not turn out quite so well as anticipated. The cost of furthering the cultivation of flax worked out more or less on these lines:—First, the German market price for flax was fixed at 50% above the world price; secondly, every peasant received a Government cultivation premium calculated on the basis of 50% of the enhanced German price; thirdly, it was laid down that linseed, which accounted for about one-fifth of the total value of the country's harvests, should be taken over from the growers at three times the amount of the world price level. Thus the cultivator of flax, partly by means of the State subsidy and partly at the cost of the unfortunate consumer, received 250% of the prevailing world price for his produce. By this means the area under flax was increased tenfold by comparison with 1932, when it



covered 4,500 hectares as against 44,000 hectares in 1936. But the increase in actual flax yield by no means corresponded to the increase in the area under cultivation. In Silesia the yield per hectare before the subsidies had been between 45 and 48 double cwts., and to-day it is officially given as only 24 to 27 double cwts. The official estimate of the flax harvest in 1936 is put at 149,000 tons, but this figure is challenged by experts. And so we see how 40,000 hectares of the most productive German land have been withdrawn from the cultivation of valuable cereals, and how the flax subsidy has not come up to expectations.

There has thus been prodigal treatment of the purchasing power of the German consumer and of German husbandry. The German supply of flax is hardly less now than it was in the peak year of 1929, and it appears that it has served almost exclusively military ends.

### 5. Food Supplies

The increasing scale in the supply of raw materials for armaments, whether such materials are home produced or imported, has a hungry counterpart in the diminishing scale of food supplies. For every ton of copper or rubber imported and withdrawn from manufacture for the purposes of export, a given quantity of cereals and fats, essential for the maintenance of the standard of living, must be sacrificed.

According to official returns, this disturbing development is most noticeable in regard to such foodstuffs and fodder as it was assumed in 1933 could be replaced by increased home cultivation. In 1928 Germany's import of the most important cereals amounted to 3,800,000 tons, and it fell in 1936 to the insignificant quantity of 65,000 tons. The following figures are taken from the April issue (page 260) of *Wirtschaft und Statistik* :—

GERMAN FOREIGN TRADE IN CEREALS AND FLOUR.  
(Metric Tons)

		+ = Export Surplus.		- = Import Surplus.	
		1928		1935	1936
Wheat	...	- 2,176,100	-	132,200	+ 13,300
Rye	...	+ 103,100	-	186,300	- 23,800
Barley for Cattle	...	- 1,706,800	-	115,600	- 47,600
Oats	...	+ 185,800	-	168,600	- 2,400
Various Cereals	...	- 245,800	-	34,600	- 4,600

If we take into account the figures for maize and durra, the total net import of cereals in 1928 was 5,124,300 tons, and the corresponding totals for 1935 were 919,200 tons and for 1936 only 236,900 tons. This is the reverse side of the mass production of armaments. *In other words, the net import of cereals in 1936 was less than 5% of the net import in 1928.* Let us now examine whether German food policy has really imposed a diminution of 95% in the nourishment of the people, or whether it has been possible to make good the fall in imports by increased home production.

In the first place it should be noted that the area under cultivation for bread-cereals was reduced between 1932 and 1936 by 500,000 hectares to 6,870,000 hectares. On April 18th, 1937, cultivation figures were published in connection with the impending harvest campaign. These reveal further falls in the areas under cultivation, particularly in regard to winter barley, the most important bread-cereal. The cultivation area for 1937 by comparison with 1936 has again fallen, the respective areas being 4,460,000 and 4,200,000 hectares. The total area of winter sowings for 1937 has undergone a recent drop of 300,000 hectares, which corresponds to a fall of some 600,000 tons in the prospective harvest. The upshot of these statistics is that, so far from there having been an increase in German harvests, there has been a considerable drop. If the average harvests for the six years 1930-1935 are compared with the harvest of 1936 in metric tons we have the following results : for barley there has been a drop from 7,760,000 tons to 7,360,000 tons ; for wheat and spelt from 4,780,000 to 4,510,000 ; for oats from 6,050,000 to 5,600,000. Thus the National-Socialist hopes that a reduction in imports would be made good by an increase in home production have been falsified. The authorities have been compelled, in a period of sharply rising prices, to have recourse to large foreign purchases of cereals. It is calculated on a careful estimate that an import of 4 million tons of cereals, including fodder, will be necessary in 1937, in order that even a lowered standard of living may be eked out.

The bread-cereals, fats, and meat questions are really one. Owing to shortage of fodder, due to reduced import, the farmer uses bread-cereals for livestock feeding ; and, in the same measure as this is officially restricted, stock-keeping suffers.

Shortage of foodstuffs has prevailed in the retail market since 1935. There has been no shortage of bread, though quality has deteriorated owing to a compulsory 7% admixture of maize flour with the wheaten or rye flour. The *Institut für Konjunkturforschung* gives the following rises in retail prices between March, 1933, and March, 1937: Butter, 35%; margarine, 44%; eggs (when available), 31%; potatoes, 22%; veal, 40%; mutton, 41%. Milk products are said to have risen slightly in price. Lard is at present often not obtainable, though it (as well as butter, margarine and bacon) is rationed.\*

Butter imports rose from 69,000 tons in 1932 to 75,000 tons in 1936, and home production from 395,000 tons in 1932 to 450,000 tons in 1936. One of the first aims of the National-Socialists was to reduce the German production of margarine from 510,000 tons at which it stood in 1932 to 400,000 tons. They did so on the pretexts that the consumption of butter would thereby be increased and that 90% of the raw materials for margarine came from abroad. Butter is, however, beyond the purchasing power of the labouring classes, whose real wages may not be raised; and owing to the *increased cost* of lard and margarine they are only able to afford about *two-fifths* of the quantities they could obtain in 1932.

The bread-cereals problem first threatened to become serious in mid-1936. Owing to unsatisfactory crops in previous years, not made good by import, the carry-over of wheat, rye, barley, and oats into the new crop year 1936-1937 was only 1,750,000 tons against 3,430,000 tons a year earlier. It was nevertheless officially declared that the cereals consumption in 1936-1937 would be covered without special import, this because the fodder crop was very large. Later it was stated in the Press that some 2½ million tons of wheat and rye would have to be imported before the harvest of 1937. Still later it was officially stated that there was a cereals and fodder deficit (fodder here being reckoned at its cereals feeding value) of 4 million tons.

This was a grievous blow to the self-sufficiency campaign. Conditions, it appeared, were worse than they were before the National-Socialist Government took over the campaign from previous Governments and intensified it by numerous

\* The reader should also refer to Appendix B.

measures. In cutting down imports it seems that the National-Socialist Government counted on a continuing increase of crops. In fact, however, cereals crops harvested in all Nazi years were meagre. The home supply has got smaller, not larger.

The post-war tendency was to increase the cultivation of wheat at the expense of rye. In 1933 (the winter sowings of 1932-1933 took place under an earlier Government) there was a high yield of 5,604,274 metric tons of wheat. In each of the three succeeding years the harvest was roughly 1,000,000 tons less, so that there was a total loss of 3,000,000 metric tons in the last three years. The decline in crops is, however, trifling when compared with the collapse of import. Germany was formerly a great importer of bread-cereals and fodder. In 1936 it might be said that she ceased to import.

The import of oil-seeds and oil-fruits fell from 2,597,600 tons in 1929 to 1,661,400 tons in 1936.

The import value of all foodstuffs fell from Rm.5,742,000 in 1932 to Rm.1,499,000 in 1936. The decline was in part due to the world price-fall. Priced at the level of 1928 the import of 1936 would have been Rm.3,194,000.

It is officially computed that the percentage of home food production to consumption rose from 66 in 1927 to 83 in 1935. Official propaganda favours increased consumption of potatoes, fish, sugar, and mutton; reduced consumption of beef, veal, butter, lard, margarine, oils, and fat cheeses; and proclaims that the consumption of bread, pork, eggs and milk may remain unchanged.

Official reports represent agriculture as financially prosperous. Farmers' selling prices (index base = 100 in 1928) were 77 in 1936 as against 59 in 1932. Materials purchased by farmers in the same years and on the same basis rose from 74.4 to 78.5.

Defence measures, motor roads, and increased cultivation of agricultural raw materials, such as flax, have taken up some considerable space. Under the Four Years' Plan (1937) a new programme is announced for an increase of the cultivated area and for more intense cultivation, and one milliard marks are to be spent upon this. Half of the area at present cultivated needs drainage, irrigation, or other amelioration.

(6) *Finance and Taxation.*

The last published Budget was for 1934-1935. Since then three Budgets have been sanctioned ; but the publication of the Annual Budget, and of the former monthly account with the balance of revenue and expenditure, has been suspended. There are still published a monthly return of gross Reich tax receipts, which is not the same as the net Reich revenue, and a monthly return of debt, which does not include liabilities arising out of rearmament or out of the special methods of financing certain public undertakings.

Reich gross revenue declined heavily during the depression and recovered rapidly after the financial year 1932-1933. The main causes of the recovery were the increase of employment, industrial profits, and internal trade. Consumption, having decreased less during the depression, recovered relatively less. Hence the recent increase in tax revenue arose mainly from taxes on income, corporation profits tax, and the turnover tax of, generally, 2 per cent.

The Reich revenue in a budgetary sense is not known. This revenue must contain, as formerly, numerous items besides tax-yields. The great yielders are the income, corporation, turnover, and beer taxes. There has been an increase in the yield of the income tax largely because certain supplementary taxes have now been incorporated with it. In considering the rise of the gross Reich revenue since the depression (it was nearly 80 per cent. more in 1936-1937 than in 1932-1933) the increase of the population and the accession of the Saar District must be taken into account. On the other hand the domination of the National-Socialist Party and the creation of numerous public bodies have introduced new payment liabilities, which do not appear in the tax-revenue returns but virtually are taxes. Some are legally compulsory, some virtually compulsory, and only a small part really voluntary. They include subscriptions to the National-Socialist Party and to its various organs and charitable funds (*Winterhilfe* alone is said to absorb nearly Rm.400,000,000 a year), dues and fees to corporative organisations such as the Nutrition Estate, Organisation of German Business, German Labour Front, Propaganda Ministry, etc. There are also fees for the Import and Raw Material Supervision Boards, special levies for the subsidising of export, and sporadic local subscriptions for Air Defence, etc. The total yield of all these has been put at Rm.2,500 to Rm.3,000 millions

a year. No official report has been published for many years as to the amount or incidence of taxation; but the final estimates of three experts, working outside Germany but independently, go to show that between 42 per cent. and 47 per cent. of the national income is now swallowed up in various forms of taxation and contributions, as against 20 per cent. or at most 25 per cent. before 1933. The sum which may be *legally* deducted from wages for income tax and social benefits is from 12 per cent. to 14 per cent., but other deductions are also made.

The German main means of financing rearmament and public works is by special bills, which may be termed Work-Creation Bills. Now when a Government covers expenditure by borrowing it can do so in three main ways:—

- (a) It can borrow from the investor, that is, it can tap (and divert from other purposes) the savings of the nation.
- (b) It can borrow from the commercial banks. That is, it can tap (and divert from other purposes) the short-term credit fund of the nation.
- (c) It can borrow from the Central Bank. That is, it can expand, or inflate, the short-term credit fund and/or the currency of the nation.

The margin of Government expenditure is recoverable. Contractors will make profits, and their workers will save part of their wages. All these profits and savings can, apart from voluntary and involuntary taxation, be tapped by the Government as follows:—

- (i) By piling up book debts due by the Government to the contractors.
- (ii) By the investment of contractors' profits in Work-Creation Bills.
- (iii) By the sale of Work-Creation Bills to banks and savings banks where the workers deposit their savings.
- (iv) By the issue of middle or long-term Government loans.
- (v) By the mobilisation of German-owned foreign investments.

A similar process can be applied to general profits and savings derived from private civilian enterprise. If, at the same time, steps are taken to discourage private demands for capital, the process can be carried a very long way. If, by a judicious inflation of the credit supply, money can be made plentiful, commodity prices can be kept fairly stable while production and employment are kept active by Government orders, these profits and savings expand and there is still more for the Government to tap.

The substitution of Work-Creation Bills for gold as backing to the Reichsbank's note circulation has obviously been a great help. It might be termed legitimate credit inflation, or rather reflation.



The following table illustrates this substitution since the National-Socialist Government took office :—

REICHSBANK.  
January 31st, 1933. June 23rd, 1937.  
Rm. Millions.

Gold	...	...	822	69	—	753
Bills	...	...	2,459	4,468	+	2,009
Note Circulation	...	...	3,338	4,429	+	1,091

There is indeed no doubt that public confidence has been maintained. There is a plethora of money in Germany in the form of internal currency awaiting investment at moderate rates; and the Reich had, since the beginning of 1935 and up to the end of May, 1937, consolidated in loans no less than Rm.5,800,000,000. The loan which the Government issued early in May, 1937, for the purpose of consolidating Rm.600,000,000 of short-term debt, was over-subscribed, and so it was decided to increase the amount by Rm.200,000,000.

No reliable figures are available as to the large special-bill debt for rearmament and the financing of so-called work-creation. The Reich Debt on March 31st, 1937, is returned at Rm.16,058 millions, compared with Rm.14,372 millions in March, 1936.

#### 7. Foreign Exchange and Foreign Debt.

The foreign exchange supply question enters into all German economic problems; foreign debts, foreign trade, prices, national feeding, raw materials, the Four Years Plan, and the control and rationing of industry and agriculture.

Officially, the foreign exchange situation is chronically described as strained to danger point. It is implied that the least relaxation of restriction would cause a crisis, and that even after the debt-service transfer reductions, the reduced import, and the veto upon private transfers, conditions are, at best, tolerable. On February 21st, 1937, Dr. Schacht declared that the Four Years Raw Materials Plan would impose a new foreign-exchange strain.

The first cause of depletion of the currency reserves, the foreign banks' withdrawals of 1931, is well known. Since the eve of that crisis, the movement of (specified and displayed) Reichsbank reserves, up to May, 1937, was (in Mills. of Marks):

			Gold	Legal-Cover Exchange
31.5.31	...	...	2,390	186
31.7.31	...	...	1,363	246
23.5.37	...	...	69	6

That the gold and exchange reserve is insufficient for the restoration of free payments under present conditions is obvious. It is, however, not certain that the total gold and exchange holdings available to the Reich are so low that any moderate emergency demand would cause a breakdown. In fact, an unexpected drain for import of food and fodder (estimated at around Rm.400 millions in 1937) is being met, apparently without difficulty. There is admittedly a so-called "National-Exchange Reserve," of which no part is shown in the Reichsbank's weekly returns, and only a part in its annual balance sheets.

The Reichsbank's balance sheet for December 31st, 1936, shows (in addition to gold as above) Rm.142 millions of actually held or "managed" foreign exchange. This sum included Rm.94,500,000 of foreign currency bills and cheques, of which, it is stated, "a considerable part" must go into clearing accounts on maturity.

The Gold Discount Bank, as Trustee, holds some Rm.70 millions of gold, formerly note cover of the now liquidated four banks of issue. Moreover, 1937 has witnessed a revival of gold importing.

The Reich has a very large actual or potential stock of foreign exchange from (1) illicit hoards, recently delivered up; and (2) confiscated foreign-currency securities.

(1) Under an amnesty of last winter, a very large quantity of gold, foreign bank notes, and other foreign exchange was delivered up. A sum of Rm.150 millions, and even more, is authoritatively suggested.

(2) Towards the end of 1936 all foreign-currency bonds and shares quoted on the Bourse were compulsorily impounded in Exchange Banks, acting as agents of the Reichsbank. The list contained some 60 items, some of which comprised all bonds of many European countries and of some overseas countries; also all U.S.A. railway bonds, and all important shares known to be held in Germany. A decree of 1937 prescribed that these securities, though still theoretically only impounded and therefore privately owned, may not be sold to any buyer except the Reichsbank, which, of course, pays the seller in marks. The first list has been extended to cover securities not dealt in on the Bourse, and even certain pre-war bonds. The owners are not compelled to sell; but

as, when they need money or for any other reason desire to part with their securities, they *must* sell to the Reichsbank, the measure is equivalent to gradual confiscation. The value of these securities is very large, but no reliable estimate is available. It is not known how far such securities have already been offered to the Reichsbank, or how far the Reichsbank has already realised foreign-exchange by reselling them abroad.

As the Reichsbank's revealed currency reserves have been almost stable during the past twelve months it is clear that exchange obtained from the two last sources is booked to some separate account.

It seems that any exceptional and temporary demand for exchange, due to deterioration of the trade-balance, or to any other reason, could be met without difficulty.

The current foreign-exchange balance is, however, a matter of doubt. It has not been explained why the apparent improvement in the foreign trade balance in 1935, and the apparent great improvement in 1936, led to no visible improvement in the exchange position, though this may be due partly to the terms of clearing agreements. The official balances of foreign payments for 1934 and 1935 are not clear, and, it seems, technically incorrect; and the same remark applies to a provisional balance for 1936 compiled by Dr. Schacht's organ, *Der Deutsche Volkswirt*.

The reasons usually given why the large net intakings from export-surplus and from shipping and services led to no increase in the reserves are: repayments of old trade debts; provision under clearing agreements for German tourists abroad; unpaid sums for Saar coal deliveries; losses through insolvencies of French importers; losses through the recent gold-bloc devaluations; and, finally, deferred payments for German export in consequence of long credits. But no precise account showing how far each of these factors operated has been published. As some of these factors of loss no longer operate, and as the deferred export-payments will come in later, it seems that (given a continued active trade balance), the foreign exchange position ought to improve in 1937 and future years.

In these considerations, naturally, an important factor is the decline in the foreign-debt capital, wherewith the debt-

service liability decreases. Since the highest point in 1930 the movement has been :

		Long-term	Short-term	Total
		Milliards of Rm.		
Mid 1930 (offic. estimate)	... ..	10·8	16·0	26·8
July, 1931 (offic. return)	... ..	10·7	13·1	23·8
September, 1933	... ..	7·4	7·4	14·8
January, 1936 (Dr. Eicke, Reichsbank)	... ..	6·5	6·5	13·0
January, 1937 (Dr. Schacht, speech)	... ..	—	—	11·0

The short-term debt shown above includes the standstill debt. In addition to the decrease through withdrawals and repayments, a reduction of the total debt by Rm.4 milliards ensued before January, 1936, owing to foreign currency devaluations; since then, a further reduction has ensued owing to the gold-bloc devaluations. A minor factor was the conversion of German-held dollar bonds into mark bonds. Such conversions numbered 50: new interest rates are  $4\frac{1}{2}$ –5 per cent.

According to the Seventh Annual Report of the Bank for International Settlements, the foreign indebtedness of Germany, on account of repayments, devaluation of creditor currencies and other factors, has been reduced as follows in recent years :—

IN MILLIARD REICHMARKS AT END OF MONTH

Date	Long-term	Short-term	Total
July, 1931 ... ..	10·7	13·1	23·8
November, 1931 ... ..	10·7	10·6	21·3
February, 1932 ... ..	10·5	10·1	20·6
February, 1933 ... ..	10·3	8·7	19·0
February, 1934 ... ..	7·2	6·7	13·9
February, 1935 ... ..	6·4	6·7	13·1
February, 1936 ... ..	6·1	6·3	12·4

Nothing has been said about Reichsmark exchange policy. All official utterances are to the effect that the theoretical, entirely unreal, mark of the gold value prescribed in the Bank Law of 1934, will be maintained. Devaluation would involve a complete, and highly inconvenient, revolution in internal economy, and as a voluntary step, can hardly be envisaged; though there are vague official hints that it might come as part of an international agreement, which, it is argued, would have to include the reduction of German capital debt and, if so, is unlikely. Involuntary devaluation (depreciation of the exchanges abroad) seems to be excluded by the German system of control of foreign payments.

### III. THE FUTURE'S CHOICES

Let us freely note that unemployment in Germany has fallen from six millions to well under one; that out-of-work benefit and emergency relief have dropped in a very gratifying degree; that home industry, especially in the heavy trades, is generally active and on the increase; that the exports of German coal in the first quarter of 1937 exceed those of Great Britain in amount; that the balance sheets of the great Shipping Companies show considerable improvement and the Deutsche Lufthansa Company reports the number of passengers carried by air in 1936 increased by 41½%; that the great banks are now more liquid and have all now resumed the payment of dividends; that the time-honoured technical efficiency of the German is unimpaired and still serves as a norm for the world; that huge factories are rising up to replace by synthetic processes the necessities formerly imported from abroad; that the country yields to none in the quality and spreading extent of its grandiose motor roads; that the consolidation of short-term Government debt into middle-term loans is now proceeding apace and in growing amounts; that the Reich revenue totalled Rm.911 millions in April, 1937, as against Rm.780 for the corresponding month of 1936; that the total declared debt of the Reich, apart from the cost of armaments and public works, does not exceed the low sum of two years' revenue; that there is a plethora of capital at low interest rates for all State-favoured enterprise based on internal currency; that the nerves of the Government are new strung; that

in every department of the financial and economic administration the influence of a vigorous mind is perceptible. Never since the dawn of time have we had such full-blooded planning. Dr. Schacht controls domestic production and consumption, and the migration of men and women within the borders of Germany; he controls all imports and exports, habitually resorting to exchange manipulation in the search to produce revival from depression; he controls the whole mechanism of lending and borrowing, and he acts on the empirical process of trial and error, for the problems which confront him from week to week are many and complex and very mutable; but he has never slurred over difficulties nor tried to pretend that rough is smooth; his courage is indomitable, and men say that "he does not set his life at a pin's fee."

Yet, in spite of it all, my view, right or wrong, is this: that Germany is far behind her capabilities, not because her working population work too little, but because so large a proportion of her people are engaged in unproductive work and in piling up overhead charges; because so large a proportion of her resources remains dormant or is misdirected without due reference to calculations of ultimate advantage; because her present economic constitution is so little adapted to developing her real but latent powers. In a nutshell, Germany needs "more matter, with less art."

The plans of the German Government are designed quite deliberately to supplant the institutions of the free market, yet the incoherence of these plans is so conspicuous that they can hardly escape a measure of criticism. In the sphere of agriculture and the food of the people, the touchstones of Germany's true prosperity, the authorities, relying on normal or abundant harvests, have been foiled by the weather in three successive years; by increasing the area of land under flax at prodigious cost they have reduced *pro tanto* the area under linseed and reduced the yield of flax per acre; they have been driven to buy foreign cereals and have negotiated their purchases in repeated instances with a minimum of skill, paying for instance early in 1937 to a neighbouring State a price of 27s. per hundred kilos of wheat when the price on the world market at Rotterdam was only 17s., and postponing the greater



portion of their purchases until commodity prices had steeply risen; they have thought well to make purchases of lard in the Balkans at a level incomparably higher than that of quotations then ruling in Chicago; they have acquired cotton under clearing agreements with Turkey at 30% above American or Egyptian prices.

Passing from agriculture and foodstuffs to minerals, let us take but a single example—iron-ore. With the rise in commodity prices Germany is no longer able to acquire easily in the open market such an essential raw material for munitions as Swedish iron-ore; the Swedes naturally find prompt cash payment far preferable to less liquid German modes of remuneration through the medium of cumbersome and sticky clearing agreements. Germany has therefore been driven *inter alia* to acquire a controlling interest in the Swiss mine of Herznach near Laufenburg, which had lain derelict for many a long year and was deemed hopelessly unremunerative. The ore content is only 28%, and it costs three or four times as much as the Swedish commodity to smelt. Rumour was moreover very persistent—though I have no certain knowledge on this subject—in Copenhagen this spring that the Germans were negotiating for a controlling interest, at a phenomenal price, in a Swedish iron-ore mine.

Some tangible results of self-sufficiency have been impartially set forth in the first paragraph of the present section of the survey. Other no less tangible results are that some 18 years after the World War the German Government have been driven to introduce ration cards for bacon and lard and butter and margarine; that the internal price-level of food has risen and, in spite of certain increases in money wages, real wages have not risen; and that the fiscal system and National-Socialist Party contributions take too heavy a toll of the German national income to be economically healthy.

The German Government themselves could alter all this, and they could in doing so use the factors of production more efficiently, avoid current waste, and satisfy a far higher demand in price terms than is now possible. It would mean that they would employ more resources producing for export, and less resources producing for home consumption. It is not economical, even if it is physically possible, to produce almost anything anywhere, and the only real grounds for such an inversion of nature's bounties are avowedly political.

The root trouble of self-sufficiency is not merely that it cannot be achieved ; its evils are very active inasmuch as it involves a dislocation of the mechanism of international exchange, a cessation of foreign investment, continued maladjustment in the distribution of gold, and a wasteful utilisation of the world's resources, in a world which is still, owing to the folly of man, very poor. Its advocates habitually depend on a series of most improbable assumptions, such as an assured succession of bumper harvests ; in Germany they have been ruefully falsified by the logic of events, and with a substantial sacrifice of real income. The German internal price-level is often higher than that of Germany's industrial competitors, and her exports, except certain specialised products, have to be cheapened by devices which nearly all rebound upon the unfortunate home consumer, and/or add to the costs of production. Only by refusing to raise the level of her real wages and by other expedients can Germany now compete abroad.

Mr. R. H. Brand has recently written of debtor countries,

"which were plunged by the great crisis into sore straits, overwhelmed with debt, and forced in consequence to abandon free exchanges and strictly to regulate their whole financial and economic life." (7)

All economic progress ultimately depends on peace. Yet the present juncture seems extraordinarily opportune for Germany to make a change of direction. A great stock of munitions and armaments must by now have been built up in the country. Surely a larger proportion of raw materials can be utilised henceforth in the production of export goods for which the demand, against ready payment and in foreign exchange, is large.

#### CONCLUSION

Heavy banks of cloud hang with occasional breaks over Europe. The only chance of a definite rift lies in an Anglo-German compact of amity and friendship. But we advance, we evolve, we stay where we were. The German poet has warned us that "*Das Beste ist der Feind des Guten.*" Let us then eschew too much at first and concentrate on broad

(7) The Hon. R. H. Brand: *Gold—A World Economic Problem* (London, The Times Publishing Company, Limited, June, 1937).

principles. A Declaration of three simple clauses might do much :—

- (1) The two Governments confirm their aim of seeking to settle matters of mutual concern by negotiation.
- (2) They will further the mission of M. van Zeeland in pursuit of the removal of obstacles to intercourse and trade.
- (3) Clearing agreements and commercial debts will be liquidated as soon as may be and Great Britain will favour the grant to Germany of long-term commercial credits so as to restore and develop international trade.

There remains the German colonial problem which has been linked up by Dr. Schacht, not very convincingly, with Germany's present difficulties in obtaining raw materials. Let us beware lest our everlasting human proneness to mix up different questions, and to answer one point by arguments that belong to another, should tend to produce a confusion of mind which is in some danger of being traded upon.

In time of war Germany cannot be certain of any adequate supply of raw materials from overseas unless she dominates lines of maritime communication; in time of peace her economic need is for foreign exchange (*Devisen*), which she can readily acquire in return for the export of her own manufactured goods, so as to be able to purchase raw materials in the cheapest market, whatever their origin. If Germany actually and unconditionally owned territories overseas she might embrace them in her own closed economy, debar them and foreign nations from the advantages now derived from the free interchange of their goods, and make some of her own purchases of raw materials there through the medium of her internal currency. The inhabitants of the overseas regions concerned, and many other peoples, would thus be saddled with some major economic disabilities, solely in order that Germany might secure raw materials by the cumbrous, costly, and wholly needless, expedient of a closed internal currency.

No clear case has been made out by Germany for the return of her former Colonies, either on economic or legal grounds. Moreover, the problem has many other facets: it raises grave political and sociological issues affecting the wishes and interests of the inhabitants concerned; its imperial and international aspects are difficult; and it cannot be solved without regard to vital considerations of strategy, present and prospective. The

whole subject obviously widely surpasses the range of the present economic survey. But the times are critical; Germany's pride and self-respect were purblindly wounded by the treatment she received in 1919; „*der Fluch der bösen Tat*“ is the *damnosa hereditas* of negotiations which lacked the healing touch and constructive hand of a Castlereagh or an Edward Grey; “*hinc illæ lacrimæ nimirum, et hæc causa est*”; and the examination of some moderate colonial settlement coupled with proper safeguards ought not to be allowed to come to grief on an intractable incapacity for compromise, provided Germany does not confuse what she would like to have with what it is possible to get. In any event such an examination calls for the best qualities of philosophic statesmanship and vision and should lead into the highest region of political thought.

It is no uncertain hope that Anglo-German friendship—a friendship in which we could *ex animo* work lastingly together—would grow up into the *summum bonum* for the peace of the world. It would be more than idle, and less than honest, to deal with such a problem piecemeal. What is wanted is an all-embracing settlement, not one vitiated by a bastard motive and a spurious clause of mental reservation *rebus sic stantibus*, but one subject to revision solely by virtue of the verdict of some properly constituted and previously accepted World Court of appellate jurisdiction. Friedrich List was an economist who enjoyed great popularity and still has a multitudinous following in Germany; interest has been stimulated in his life and work by Meissinger's recent biography. What, perhaps, will cause his name to endure is not mainly the economic theories he so forcefully, and, as an ardent and uncompromising Free Trader must add, so unconvincingly, champions. It is that element of the seer in his works which, perhaps, has its most concentrated expression in a passage where he foretells and then advocates, the Federation of Europe:—

“In the Congresses of the Great Powers Europe already possesses the embryo of a future National Congress. Obviously, the attempt to settle national differences by agreement is much to be preferred to an attempt to take the law into one's own hands by an appeal to arms.”

No mutual and legitimate sacrifice for the end of an honest Anglo-German agreement is too great; no object should be pursued with greater resolution or more steady-eyed

patience; nothing would help more to dilute the poisons in the air. A complete change of mind and outlook, a change well grounded in knowledge and inspired by lasting aims of economic and international co-operation, is essential. Let us cease carrying on controversy aggressively, as if to disturb and not to settle. Let us have done with the usual evasion of the strong points of the other side, the usual exaggeration of the weak ones; that is litigation, the lawyer's captious and refining spirit, and far from the wide horizons and noble art of preventive diplomacy. We want to learn Cromer's wisdom, as Lord Milner did, that in a complex problem there is always a single key-point. In the existing imbroglio of Europe, where political and economic considerations are almost inextricably involved, that single key-point lies in cordial relations between Great Britain and Germany. It is of the essence of the matter that existing, if proved, friendships of both countries elsewhere should remain intact. There is a happy precedent. In 1719 Lord Stanhope, "*ce grand abrégiateur*," who found, amidst the racing currents and the interplay of stern forces, his single key-point in Berlin, and thus secured peace for Europe.

In one respect the scene in Germany presents a more favourable setting than it has ever done. During the whole decade which ended in 1914 one contributory cause of the fearful catastrophe which was to befall the world was the vicious dualism of control and leadership that prevailed in the persons of Grand Admiral von Tirpitz and successive Chancellors. After all, the basis of all successful organisation lies in discipline and in clear definition of responsibility. Now all discipline and responsibility in Germany centres in Herr Hitler. He has more than once proclaimed his clear perception of the crowning victory that would be achieved in Anglo-German friendship. Here is a Leader who has already revealed unequalled capacities, a man whose own career gives momentum to his discourses, an orator who can kindle sacred fire in young hearts. Whether he is also gifted with that bold and self-reliant political genius which prevents small points from hindering the settlement of great questions, whether he possesses unswerving determination to achieve that friendship which would be literally priceless for the world—this lies in the bosom of to-morrow. As a monument of difficulties surmounted, prejudices and sullen heats overcome, rights and

interests adjusted, it is one of the things that would give the brightest lustre to his fame.

There is a sad air of unreality in much of the discussion of foreign relations; it often seems on stilts. If we cannot *step down* let us try to rise higher and, by some stretch of the imagination, picture ourselves *looking down*, much as Gulliver did on the Empires of Lilliput and Blefescu, on the affairs of this storm-tossed and very over-serious world. Let us rather imagine the Olympians of bygone times—James Stanhope, Talleyrand, Abraham Lincoln, Bismarck, Cavour—engaged in a similar contemplation, with the trenchant Quevedo y Villegas at hand to wield the protocolist's pen and describe, with a masterly and unsparing hand, their *sueños* or visions of the motives and manners of our time.

Amidst quaint humour, rollicking fun, melancholy touches and profound views of human nature, might we not read that this far-shining company are those who, in a full career, touched closest and at most points the ever-standing problems of the world? They would tell us that, if we would avoid perilous alignments, we should no longer one and all overlay a modicum of reality with violent paradox, nor compel words and facts to be the slaves of our phantasy. And Quevedo, with a lambent wit all his own, would add in a powerful whisper to the statesmen of every country, that the greatest human endowment is a true sense of values, and a little judicious levity almost an unfailing specific.

And the protocolist might end with a hint that we shall never really get very far till there is a World Court to apportion the loaves and the fishes, and then give a somewhat pregnant warning that no very formalist gentlemen should adorn the Judges' bench, but rather those who are well read in the ways of men and the book of the world, with a good deal of feeling for time and movement, and the power of seeing many sides which make an efficient mediator, and a flair for the critical moment and the right people. And, *horribile dictu*, I am almost certain the whole corpus of Olympian ghosts would advise a huge bonfire of bad law at Geneva, and then a much simpler code, which the plain man could readily grasp and possibly follow. And their advice would all be good, for human nature alters but little.



If, in the course of this survey, I have brought forward evidence in support of findings likely to be controverted, I would submit to German readers, who will have ample opportunity for a reasoned reply, that it deserves close examination by all who hope to see Germany conserve and increase her prosperity. It is advanced in no unfriendly cast of mind. Those who, from here, passed the formative years of life in Germany, with her art and learning always pursued with a sense of discovery and adventure, will be ever mindful that her living literature is unsurpassed and her music the most splendid vehicle of thought and emotion the world has ever possessed. Through all the shocks of time and changes of modern life they know assuredly that Germany will sustain her noble position among civilised peoples, and their wish is to see their own land linked with her upon a broad and solid basis of fruitful endeavour.

In a quiet countryside, a typical German scene where nature and man are of a good mutual understanding, with rolling downs and thickly wooded hollows—whence long since I transplanted to my English garden an oak which still seems to receive on the breeze the message of a *genius loci*—there stood a peasant's home with eaves propped on poles, and a long living-room below. Over the doorway there was carved, in quaint German lettering and *altdeutsch* wording, an Italian prayer, perhaps in its beauty and aspiration second only to one in the long chain of prayer across the ages, whereof the English rendering is known :—

"Lord, make me an instrument of Your peace ; where there is hatred, let me sow love ; where there is injury, pardon ; where there is discord, union ; where there is doubt, faith ; where there is despair, hope ; where there is darkness, light ; and where there is sadness, joy."

Alas, the home and its contents were burnt to ashes in 1914. It seemed a symbol typifying the tragic destruction of Anglo-German friendship by some fell force just when agreement had been reached in so much. Perhaps the Statesmen of Berlin and London will rebuild, *monumentum aere perennius*, in 1937.

30th June, 1937.

ALWYN PARKER.

## APPENDIX A. SUNDRY STATISTICS.

### *Comparison of Exports of Coal from Great Britain and Germany—1929-1937.*

The following table compares the exports of coal from Great Britain and Germany in the period 1929 to 1937. The figures are quarterly averages :—

			Exports of Coal in 1,000 metric tons	
	Quarterly Average		Great Britain*	Germany
1929	... ..		14,684	6,692
1930	... ..		13,312	6,095
1931	... ..		10,243	5,781
1932	... ..		9,391	4,578
1933	... ..		9,605	4,573
1934	... ..		9,810	5,452
1935	... ..		9,309	6,637
1936	... ..		8,147	7,079
1937 (1st quarter)	... ..		8,166	9,005

\* Excluding shipments to Irish Free State.

The competition from German coal has been aggravated by subsidies within the trade which average 7s. a ton and by the pressure exerted through barter arrangements and frozen credits, while the figures for 1935 and 1936 were affected by the loss of Italian trade as a result of the imposition of sanctions.

### *Unemployment.*

The highest registered unemployment total was 6,013,612 in February, 1932. It has declined steadily, except for seasonal variations, and had fallen to 1,853,000 in January, 1937, and to 780,000 in May, 1937. The number of employed (including relief work employees) increased from 11,928,000 in February, 1932, to 16,599,000 in January, 1937.

The following figures are given to show the disparities in recovery pace in various industries.

### *Number of occupied workers in percentage of working places.*

		1932	1936
All industry	...	46·3	69·1
Production goods	...	41·5	73·5
Consumption goods	...	52·5	63·5
Iron and Steel	...	48·6	88·4
Machine Manufacturers	...	39·4	79·4
Vehicles	...	38·1	85·7
Building	... ..	21·4	69·7

### *Building.*

In the interest of officially favoured branches of production the ratio of public to private investment increased very much. A good instance is building. Part of the housing was officially financed.

The returns for the cost of private, industrial, and public buildings (including surface and underground constructions) are given as follows :—

	1929	1936
Housing ... ..	Rm.2,900,000,000	Rm.2,000,000,000
Industrial ... ..	Rm.2,700,000,000	Rm.1,400,000,000
Public ... ..	Rm.2,700,000,000	Rm.5,400,000,000
	<hr/> Rm.8,300,000,000	<hr/> Rm.8,800,000,000

The figures for 1929 are taken from official returns, published before 1933 ; they have, however, since been officially " modified," in accordance with a new procedure which has occurred in various other instances also, to Rm.800,000,000 for housing in 1929 in place of Rm.2,900,000,000. Possibly the figure of Rm.5,400,000 for public buildings in 1936 may prove to be Rm.5,800,000.

### *Investments.*

In the interest of the officially favoured branches of production the expansion of output capacity and new foundations were forbidden in the non-favoured branches, and in December, 1936, vetoes were in force in 32 different branches. The tendency appears in the following figures compiled by the Reichskredit-Bank :—

	(Millions of Reichsmarks.)	
	1932	1936
Public and Communications	1,750	7,400
Housing ... ..	765	1,900
Electricity ... ..	220	450
Agriculture ... ..	550	900
Industry ... ..	450	2,000
Crafts, Trade, etc. ...	515	850
	<hr/> 4,250	<hr/> 13,500

The investment total of 1936 was almost the same as the highest reached in any pre-depression year.

The gross production value of industry rose from Rm.34,800 millions in 1932 to Rm.65,100 millions in 1936.

The industrial production *volume index* (base 1923 = 100) rose from 59 in 1932 to 106 in 1936.

*Output of iron, steel, and cement.*

	(Metric Tons.)	
	1932	1936
Pig-iron ... ..	3,932,000	15,303,100
Ingot steel ... ..	5,751,000	19,157,700
Cement ... ..	3,200,000	12,000,000 (estimated)

*Retail Trade Turnover.*

1932	1936
Rm.22,700,000,000	Rm.28,000,000,000

Retail sales in 1936 were 10% over 1935.

*Reich Railways Co.*

*Goods Carried.*

(Metric Tons.)	
1932	1936
242,000,000	399,000,000

*Iron-ore.*

Iron-ore production rose from 1,340,000 metric tons in 1932 to 6,651,000 tons in 1936, and import from 3,456,000 metric tons to 18,469,000 tons in the same period. The cost of smelting the home product is fourfold that of smelting Swedish iron-ore.

*Textiles.*

Fibre-textile (*Zellwolle*) rose from 15,600 metric tons in 1935 to 45,000 tons in 1936 and is estimated at well over 85,000 metric tons in 1937.

The number of sheep rose from 3,387,000 in 1933 to 4,331,000 in December, 1936.

## APPENDIX B.

### FOOD SUPPLIES, WAGES AND COST OF LIVING.

When my typescript had already gone to press I heard from a German friend, who is an expert statistician, that the section on Food Supplies (which he had kindly perused in proof) did not, in his judgment, give quite a balanced picture.

He criticises it on the grounds (a) that prices of consumption goods in 1936, though mostly higher than in 1933, are mostly

lower than in 1928; (b) that, besides the disappearance of short-time work, wages in a number of prosperous trades, such as steel, have risen by about 10 per cent. since the lowest point of the depression; and (c) that the Government and municipalities are allocating sums in order to enable the working classes to obtain a not unimportant portion of fats at reduced prices.

I cherish the hope that an authoritative and reasoned German reply to my survey may perhaps ere long be furnished for publication in *LLOYDS BANK REVIEW*. In the meantime, it may help to clarify the position if I offer some preliminary observations on each of the points raised.

My correspondent has furnished the following table:—

*Changes in the Prices of Important Consumption Goods.*

(Average of 72 Municipalities).

Changes in 1936 by comparison with 1928 and 1933.

		1928	1933
		(Rise or fall, per cent).	
Rye-bread or mixed bread	...	— 29	— 1.6
Wheat flour	...	— 19	— 3.0
Grits of wheat	...	— 19	— 2.6
Barley groats	...	— 19	+ 0.8
Oats	...	— 20	+ 5.8
Rice	...	— 27	+ 7.7
Peas	...	— 15	+ 45
Beans	...	— 31	+ 24
Sugar	...	+ 24	+ 1.6
Potatoes	...	— 28	+ 32
Vegetables	...	— 42	+ 7.8
Meat, fish	...	— 20	+ 16
Beef	...	— 28	+ 15
Pork	...	— 21	+ 13
Veal	...	— 13	+ 39
Mutton	...	— 8.5	+ 38
Pickled Herring	...	— 26	— 3.5
Milk	...	— 22	+ 4.1
Butter	...	— 28	+ 14
Margarine	...	— 6.3	+ 6.8
Eggs	...	— 24	+ 7.0
Beer	...	+ 0.9	— 0.8
Coal	...	— 14	— 0.1
Textile goods	...	— 28	+ 18
Boots and Shoes	...	— 32	+ 2.2
Furniture	...	— 24	+ 5.0

It will be observed that the figures quoted on page 383 are the official ones given by the *Institut für Konjunkturforschung*, and indicate the following rises between March,

1933, and March, 1937: butter, 35 per cent.; margarine, 44 per cent.; eggs, 31 per cent.; potatoes, 22 per cent.; veal, 40 per cent.; mutton, 41 per cent. The two sets of figures are, no doubt, both correct. Food prices in 1937 are certainly lower than in 1928. This is a consequence of the world price-fall. German food prices, according to the official index, reached their recent lowest level in April, 1933. On the index-base 1913-14=100, the average for all 1928 (Cost of living Nutrition Heading) was 153.0. In April, 1933, it had sunk to 109.5. In April, 1937, it had risen again to 122.3. But these figures, taken by themselves, are not relevant to the question of the standard of living or to the level of real wages. Between 1928 and 1933 wages and salaries were reduced, by formal Government measures, as a part of Dr. Brüning's policy of cutting down the price-level (the so-called Brüning deflation policy). In general since 1933, when the price-rise began, wages have *not* been increased. The matter is put succinctly in the official *Wirtschaft und Statistik* of January 18th, 1937, page 21:—

"In comparison with 1928 (= 100), the average *collective agreement wage* was 83.5: the index of the cost of living, also as compared with 1928, was 81.9."

This refers to the whole year 1936. It would seem to show that, as compared with 1928, the cost of living in 1936 had fallen a little more than wages. Whether this conclusion is correct or not depends upon whether or not the cost of living index is correct; but in principle it is right, in the sense that since 1928 (about the peak of the preceding trade-boom) both prices and wages have substantially declined.

The term "wage," as officially defined is the *collective agreement wage*, is not the same thing as the sum earned. The *collective agreement wage* is so much per hour worked, and the sum earned naturally fluctuates with the duration of work. It is, apparently, not quite correct to say that steel workers within the past year had a rise of 10 per cent. in wages in the above (*collective agreement*) sense. But the lengthening of hours in steel and most other industries has involved a certain rise in earnings. The figure of 10 per cent. does not, indeed, appear in any authority that I can find, but it would agree roughly with the official estimates. Thus, the official journal quoted (October 21st, 1936) says that in three months of 1936, March to June, the average sum *earned* in



wages in all industry increased by about 2 per cent. in consequence of longer working hours; and that, in capital goods branches (among which would be steel), the average increase in *earnings* was 2·3 per cent. At that rate about 10 per cent. would be reached in a whole year. But, leaving out of account the lengthening of hours, the average wage for a given time worked has *not* apparently increased since 1933; *and the Government have repeatedly declared that it must not be increased.*

In the past two years cards, which enable poor persons to buy fats at a level below shop prices, have been issued. This system was introduced when the Government took measures to raise fat prices for the general population, and it is still in force. The total cost has not been officially divulged; but it is estimated that 22 million workpeople each receive 50 Reichspfennig per kilogramme, and that they each consume about 23 kilogrammes per annum. Each individual accordingly gets about 11 Reichsmarks a year.

A. P.

## Notes of the Month

*The Money Market.*—June has been a quiet month in the money market. In view of the approach of the end of the half-year, the banks only bought bills very sparingly, as they wished to be well supplied with cash at the end of June. The discount market, in its turn, therefore, was not disposed to apply for new Treasury bills at the low rates current in previous months, and the average tender rate has, therefore, risen from a shade over  $\frac{1}{2}$  per cent. to just over  $1\frac{3}{4}$  per cent. A further cause of this increase was the raising of the weekly allotment from £35 millions in early May to £50 millions during most of June. Money has been easy, partly because of Ways and Means borrowing by the Government to finance the War Loan dividend, and partly because of a further gold purchase of just over £5 millions by the Bank. The end of the half-year was passed quite easily. There was a certain pressure for funds and a small amount was borrowed from the Bank of England, but there was no serious squeeze. As usual Treasury bill payments and maturities had been arranged so as to provide both the banks and the discount markets with funds on June 30th. The note circulation remains high, and early in June there was further evidence of French hoarding. The Bank's gold purchase was the natural remedy for any lack of funds which this new French hoarding might otherwise have caused.

*The Foreign Exchanges.*—Early in June the gold scare still predominated the market, and in the absence of any gold purchases in London for shipment to the United States the British authorities had to buy most of the gold on offer in the London bullion market. Reassuring statements by President Roosevelt and Sir John Simon caused the gold scare to subside, and purchases on American account have since been resumed. Then came the fresh French crisis. This began with a new flight of capital from France and heavy pressure upon the franc. The spot rate for francs was held steady at the cost of further serious gold losses by the French authorities, but forward francs went to a heavy discount. In the political sphere M. Blum's Government resigned, to be succeeded by a new Government under M. Chautemps. Then on June 29th came the news that the Paris Bourse had been closed and all dealings in francs suspended until further

notice. The next day the new French Government secured plenary powers to deal with the financial situation, the chief exception being that they were not empowered to impose exchange restrictions. The elastic gold parity established last December was at once suspended and the franc was left free to find its own level. On July 1st, when the Bourse was reopened and dealings in francs resumed, the pound was quoted initially at Frs.119, rising later in the day to Frs.128½. Three months' francs were dealt in at Frs.4 discount. Meanwhile the British Exchange Equalisation Account's heavy gold purchases in London and absorption of French gold have necessitated a further expansion of £200 millions in the total size of the Account, and the necessary legislation was introduced at the end of June. Sir John Simon took the opportunity to announce that a half-yearly statement of the Account's assets would be published (three months in arrears), and added that on March 31st the Account held gold to the value of £186·7 millions, at the price of 140s. per ounce. The Bank of England's gold, revalued at this price, was £516·9 millions, so that in all our gold stocks amounted to £703·6 millions sterling. This was more than sufficient to cover our short-term external obligations.

*The Stock Exchange.*—Markets remained dull and hesitant during June. In spite of the continued recovery of British trade, operators were influenced more by such passing events as the gold scare, changes in the international outlook and the new crisis in France. The news that the British Exchange Equalisation Account was being increased by £200 millions put an end to the gold scare and so caused a temporary recovery, but the closing of the Paris Bourse the following week and the general atmosphere of crisis in France led to a fresh reaction. This feeling of hesitancy has prevailed in all markets. British Government securities were dull, with War Loans falling to below par and the new National Defence Bonds quoted at a wider discount. Home rails were also quiet in spite of better traffics, while industrials continue to sag. Gold-mining shares were depressed by heavy Johannesburg selling, but recovered on the news of the enlargement of the Exchange Equalisation Account. Base metals weakened early in June, but there has since been a slight improvement. Oil, rubber and tea shares were subject to the general *malaise*.

*Overseas Trade.*—Comparing April and May of this year, imports rose from £82.9 to £83.1 millions, while British exports fell from £43.0 to £42.7 millions. In May, 1936, returns of £69.1 for imports and £36.4 millions for exports were recorded. The returns for the first five months of the past two years are summarised below :—

Description	Jan.-May, 1936	Jan.-May, 1937	Increase (+) or Decrease (—)
	£ mn.	£ mn.	£ mn.
Total Imports ... ..	335.4	394.6	+ 59.2
Retained Imports ... ..	308.0	361.2	+ 53.2
Raw Material Imports ... ..	100.8	124.3	+ 23.5
Manufactured Goods Imports ... ..	84.6	104.6	+ 20.0
Total Exports, British Goods ... ..	175.9	206.9	+ 31.0
Coal Exports ... ..	11.5	13.4	+ 1.9
Iron and Steel Exports ... ..	14.3	18.8	+ 4.5
Cotton Exports ... ..	25.1	28.4	+ 3.3
British Manufactured Goods Exports ... ..	137.0	160.4	+ 23.4
Re-exports ... ..	27.4	33.4	+ 6.0
Total Exports ... ..	203.3	240.3	+ 37.0
Visible Trade Balance ... ..	-132.1	-154.3	-22.2

The increase in imports since last year continues to be greater than that in British exports, but there has been an encouraging expansion in exports of British manufactured goods, particularly in those of iron and steel, cotton yarn and cloth, and vehicles. The increase in imports of manufactured goods is mainly in non-ferrous metals, machinery and petrol.

*Commodity Prices.*—June witnessed a further reaction in wholesale prices, and it was only during the last week of the month that there was any sign of recovery. The net fall since the end of March, when prices were at their peak, until the end of June is 2.1 per cent. in Great Britain and 2.0 per cent. in the United States. Nevertheless, wholesale prices are still higher than they were at the end of last year, and so the reaction cannot be called serious.

The official cost-of-living index remained unchanged during May, at 52 per cent. above its pre-war level, while the index number of retail food prices was also unchanged at 36 per cent. above pre-war. On June 1st, 1936, the two indices stood at 44 and 26, respectively.

## Home Reports

### The Industrial Situation

While stock markets have been depressed by such passing events as the gold scare and the new French crisis, trade continues to make progress at home and abroad. It is true that there has been a reaction in commodity prices, but this was checked at the end of June, and prices are still higher than at the New Year. Again May witnessed a 28 per cent. contraction in the total value of building plans passed, compared with the previous year, and this may be due to a certain lack of confidence in new enterprises. On the other hand, this is always an uncertain index, especially as it excludes both London building and also all Government contracts. The evidence in favour of a continuance of the revival is far more definite. Thus the *Economist* business activity index (1935=100) has risen to a new high record of 112 for last May, this figure comparing with those of 98.5 for 1929 and 84.0 for 1932. There was no increase in unemployment between April and May, while during the month ended June 21st unemployment was reduced by 94,732, and the number in work rose by 130,000. Iron and steel production is well maintained, the engineering trades are very busy, and the chemical trades remain fairly active. There is possibly a seasonal lull in the textile trades, but retail trade last May showed an increase of 13.2 per cent. over the previous year, so that it is evident that consumption is increasing. More generally railway goods traffic returns are satisfactory, shipping freights are still rising, the volume of laid-up shipping has been reduced, and both raw material imports and exports of British manufactures are well maintained. Thus, despite the misgivings of the stock markets, there is not the smallest sign of any set-back in production, employment or consumption. These, after all, are the things which really matter.

News from overseas is equally encouraging, apart from the new crisis in France. The fresh depreciation of the franc will, of course, necessitate new adjustments in France, and may have repercussions upon our own trade. Still, the new French Government has given assurances that it intends to remain in the Tripartite Monetary Agreement and that there will be no competitive depreciation of the franc. So while the franc may become slightly undervalued against sterling,

there is no need to fear any serious reaction upon British trade. On the contrary, if France can recover her financial stability, it will be of benefit to both ourselves and the rest of the world.

## Agriculture

*England and Wales.*—According to an official report at the beginning of June some of the corn crops were still rather patchy, but there had been some improvement during May and growth was encouraged by the warmer weather. Early potatoes are making favourable progress. Sowing of root crops is less forward than usual. Hop vines are rather backward, but there was some recovery at the end of May. Reports on hay are generally favourable, and yields of both seeds and meadow hay will probably be above average. Pastures have made rapid growth, and both cattle and sheep have made progress. Milk became more plentiful with the outdoor keep, and a few districts reported yields above the seasonal average. Lambs in lowland flocks have thrived moderately well, and those in hill flocks are benefiting from the more clement weather.

*Scotland.*—Weather conditions during the past month have been favourable for growth, and grain crops generally are looking exceptionally well at present. Beet and turnips are ready for "thinning," with plants strong and vigorous, and in some parts hay-cutting has already commenced with the promise of a bulky crop. In the produce markets wheat has been in fair supply but has met a poor demand. Barley is finished for the season and oats are lower in price and demand is limited. In the livestock markets good fat cattle are still at a paying price, notwithstanding higher feeding costs, and fat sheep and lambs have been a very good trade and have risen a further 3s. to 4s. a head.

## Coal

*Hull.*—Since the threatened national coal strike was averted market conditions have been without notable feature, except that the abnormal rise in freights has retarded the development of new business. The tonnage shortage is also somewhat of a problem. Prices for all qualities are being fully maintained at recent high levels.



*Newcastle-upon-Tyne.*—Enquiry has been quieter, but prices for all grades have been fully maintained. Collieries are all well sold for this year, and have already disposed of a considerable percentage of their outputs for 1938. It is also understood that Italy has contracted for considerable quantities of coking coal and gas coal over 1939 at very little below to-day's prices. Enquiry for coke is also less pressing, and there has been a slight seasonal easing in prices after the considerable rise in May.

*Sheffield.*—Demand for all grades of industrial fuels is particularly brisk, and collieries are working full time. The export coal market has maintained its favourable position, and all supplies are being well taken up. Conditions in the household coal market are rather quieter.

*Cardiff.*—The coal market remains strong. Occasional prompt lots are rather more freely offered on the steam coal market, owing to the difficulty in securing prompt steamers. Washed and sized descriptions are extremely scarce and strong, and cokes are in active request.

*Newport.*—The South Wales collieries have now received additional quotas, which will enable them to meet increased demands from both home and foreign customers. Output has kept well above the levels of the last three years.

*Swansea.*—A fairly good tone prevailed in the anthracite coal market. Third qualities were all extremely firm, as Canadian shipments were absorbing supplies. Prime and second qualities also moved satisfactorily. Beans and peas were extremely scarce and firm, while both culm and duff were in good demand. The steam coal market was also satisfactory, with some qualities extremely firm.

*East of Scotland.*—In both Fife and the Lothians screened coal continues in strong demand, and washed fuels of all kinds are moving off readily as produced. Prices for export are more or less nominal at present.

*Glasgow.*—The household market has remained quiet, which has necessitated an adjustment of prices in the Lanarkshire area, to attract buyers and reduce accumulated stocks. Home demand for industrial fuels is very strong, particularly in Lanarkshire, where iron and steel works are taking very large deliveries of round coals (including splint) and washed

nuts. Shippers are still pressing collieries for supplies against contracts, and demand for both screened qualities and nuts is so strong that deliveries are in arrear, and some exporters are being involved in heavy charges for the detention of steamers beyond the number of lading hours specified in charters. Some household sorts are offering in the export market, but nuts are unobtainable except in occasional odd lots, and the usual shipping qualities of large coal are practically fully stemmed. Exporters find it extremely difficult to do business owing to the reluctance shown by collieries to quote prices for coal for forward shipment.

### **Iron and Steel**

*Birmingham.*—Demand in all directions is far in excess of supplies. Prices have been increased, and tariffs reduced or eliminated altogether, as in the case of pig-iron, but very little relief is forthcoming from the Continent, and the scarcity is, therefore, affecting all producing countries. Price adjustments are controlled by the British Iron and Steel Federation, but the main consideration to-day is delivery and not price.

*Sheffield.*—All branches of steel production are working to capacity, and find increasing difficulty in coping with the enormous demand. In many cases manufacturers are compelled to quote greatly extended deliveries. Supplies of basic scrap have improved, as considerable quantities have been imported.

*Tees-side.*—In spite of considerable difficulties in connection with raw material supplies, production of iron and steel is increasing and two additional blast furnaces have been rekindled. There are now 34 blast furnaces in operation on the North-East Coast. Output still remains below market needs, however, and consumers are hampered by inadequacy of deliveries, which, in the case of foundry iron, are barely sufficient to keep consuming plant in full operation. Little new business is done, as makers are heavily sold forward and deliveries are in arrears. A considerable volume of export inquiry for pig-iron at very high prices is being ignored in favour of urgent home requirements. Steel manufacturers are producing record tonnages, and are less concerned about scrap steel supplies, as useful quantities are coming from the United States.

*Newport.*—The first cargo of iron ore for the modernised works at Ebbw Vale arrived during May. The first blast furnace should be in operation in July, and a second a few months later. When the steel works are also in operation at Ebbw Vale the output of the district, which is at present about 20 per cent. of the total United Kingdom production, is likely to be higher than in the North-East Coast district, which at present has the largest output. Home demand continues in excess of supply, and this has tended to restrict shipments abroad.

*Swansea.*—Demand for tinplates was well maintained during May, and a good volume of business was done, especially in the home market. Production, however, was curtailed owing to the difficult steel position, and the industry was only employed at 71·23 per cent. of the allotted capacity.

*Glasgow.*—Though enquiry has diminished in some branches, makers are still overwhelmed with orders, and with raw materials scarce and production consequently not on a full scale, deliveries are in arrears. Pig-iron, scrap and semis are less difficult to obtain than of late, however, and some plants are now operating at full capacity. Steel works are abundantly provided with specifications, especially for materials required by shipyards and constructional engineers. In the sheet industry the scarcity of raw materials has been relieved by the arrival of Continental semis. Tube makers, re-rollers of steel bars, and producers of wrought iron are also obtaining raw materials in increasing quantities, and production is on a larger scale. Makers of pig-iron are disposing of the outputs of the fifteen furnaces in blast without the slightest difficulty. The question of restarting some of the old type of furnaces which have been idle for a long time is still under consideration.

## Engineering

*Birmingham.*—All sections remain extremely active, but the rate of expansion of trade shows a slight temporary slackening. Manufacturers of all types of electrical equipment, motor-car and aeroplane components and equipment, and also of drop forgings, are very busy. Light tubes are in increasing demand. Constructional engineers and the building trade are taking large quantities of material.

*Bristol.*—The employment position has remained good. Aircraft firms have been extremely busy, but the shortage of skilled labour continues to present considerable difficulty. The situation in the building trade is also satisfactory.

*Coventry.*—All branches are extremely busy. Motor-car manufacturers are fully employed, and machine tool workers find difficulty in keeping pace with orders. The delay in delivery of raw materials is causing some anxiety. Employment figures are reaching new high records, and there is a scarcity of skilled labour.

*Leeds.*—The improvement in all sections continues.

*Sheffield.*—The pressure in the general engineering trade continues. The difficulty to-day in the tool trade is not a lack of orders, but the scarcity of supplies of raw materials, coupled with the rising tendency in the cost of those materials. All branches are producing to capacity and yet find it difficult to give satisfactory deliveries. Home trade is very brisk, and exports show an appreciable increase over the corresponding period of last year.

*Walsall.*—Malleable ironfounders are well employed on orders for the motor-car industry, but are experiencing difficulty in obtaining supplies of raw materials.

*Wolverhampton.*—Activity is fully maintained in all sections. Engineering continues active in all sections, and the electrical side is particularly well placed with home and export orders. The shortage of skilled labour is seriously impeding progress in the building trades. Manufacturers of commercial and passenger vehicles are busy, and suppliers of components and accessories to the motor trade are fully employed.

*Glasgow.*—The shipyards, in common with other industries, are now experiencing rising costs, owing to the advances in steel prices and prices of other materials, but there has been no slowing-down of work at the yards or in the flow of orders. There are now about 150 ships on order among various Clyde firms, inclusive of some 40 Admiralty contracts. Mercantile work is also more promising than for a long time past, and prospects generally remain favourable. The activity at the shipyards continues to be reflected in the busy state of the marine engineering establishments. Boiler-making firms are particularly busy.

## **Metal and Hardware Trades**

*Birmingham.*—The general hardware trade continues good and makers of metal smallwares remain busy. Business in the cold rolled brass and copper sections is less brisk than it has been recently, and buyers are not anxious to enter into forward commitments. Prices show little change. Exports are maintained at a satisfactory level.

*Sheffield.*—The recent marked improvement in all sections of the cutlery and plate trades has been well maintained. The table cutlery section is particularly active, and export demand has increased. Business in pen and pocket knives is good, and there is a shortage of skilled labour. The scissor section continues busy, and safety razors and blades are being produced in increasingly large quantities. The demand for sterling silver and E.P.N.S. ware is well maintained.

*Wolverhampton.*—The hardware trades continue to expand, and the heavy demand in the lock trade is unabated. The sheet metal industries are finding some difficulty in coping with the demand.

## **Chemicals**

The home chemical market was fairly active during May. Interest was centred mainly in industrial chemicals and wood distillation products. Business was restricted in some coal tar products, particularly in tar acids, owing to a shortage of supplies. The pharmaceutical chemicals market was quiet at the beginning of May, but improved slightly during the month. Overseas trade showed a further improvement in May. Exports were £323,139 greater in value than in May, 1936, and imports showed an increase of £81,829.

## **Cotton**

*Liverpool.*—During June the trade demand for cotton has been on a smaller scale, reflecting the unsteadiness of the market, for while spinners are well employed with orders, they are reluctant to increase stocks at falling values. Notwithstanding the lack of confidence which for the time being characterises the market, and which is attributable to a variety of "bearish" influences, the statistical position shows continued improvement. Approximately three quarters of the 6,000,000

bales of American cotton held three years ago by the United States Government has now been absorbed by the trade, whilst deliveries of American cotton to the world's spinning mills from August 1st, 1936, to June 11th, 1937, rose to 12,340,000 bales against 11,028,000 for the corresponding period of last season. Labour troubles in America, political and financial difficulties in France, and the uncertainty regarding ultimate monetary policy seem to have contributed to market uncertainty, but the new crop outlook is having the main influence. Reports from the United States indicate the success of the Government policy in eliminating the poorer lands from cotton growing. Ideal weather conditions have continued up to date on an increased acreage estimated at 12 per cent.; the crop condition is good but weevil emergence is greater than for some years. Long liquidation has been a feature of the "futures" market, and prices generally have declined some 40 points during the month.

## Wool

*Bradford.*—Business continues to be quiet, which tends to weaken the price of tops. This downward pressure is, however, strongly resisted by the topmakers, owing to the scarcity of raw materials. Spinners are receiving very little new business, as they are reluctant to make concessions.

*Huddersfield.*—There has been a slackening off in trade during the past month in all sections. This is thought to be partly a natural recession after the Coronation activity, which is confirmed by the fact that business is better in the Provinces than in London. It is the general opinion, however, that while the advanced prices have some effect, the chief deterrent to trade is the weather.

*Hawick.*—The Border tweed trade has been fairly active of late, and on both home and foreign account a fairly considerable volume of business has been passing, helped also by demand arising out of the London Shows. The hosiery and underwear trade has improved since last month and overtime has been necessary in some cases where deliveries were required by a certain date. Spinners continue active but dyers are easier. The wool position is steady and prices show little change.



## Other Textiles

*Dundee.*—Quiet conditions prevail once more in all sections of the jute market. Prices of the raw material have fallen to a low level, while there is also an easier tendency in Calcutta goods. Despite this buyers cannot be induced to place their orders. A larger jute crop is expected this season.

*Dunfermline.*—The Fifeshire linen trade continues very steady with prices firm. There is practically no change in the position of the raw material, and although some irregularity has manifested itself in flax and tow prices, the market in general remains steady. Both wet- and dry-spun yarns are in rather poor demand.

## Clothing, Leather and Boots

*Bristol.*—In the ready-made and wholesale bespoke sections there has been a slight seasonal improvement, and trade generally is better than a year ago. Unemployment in other branches has been low. Trade in boots and shoes remains good, in spite of a seasonal slackness at Whitsun, responsible for some temporary unemployment.

*Leeds.*—Employment in the clothing trade is very good, owing to the seasonal improvement.

*Northampton.*—Conditions are not so good in the boot and shoe trade. Retailers still do not seem to realise that they will have to pay more, as the manufacturers have now practically used up all their stock of cheap leather, and are having to replace it at much higher prices. Leather prices remain very firm, but sales have dropped slightly.

*Walsall.*—The tanning industry is quieter, as buyers are restricting purchases in view of the high and firm prices prevailing. In the fancy leather section the shortage of skilled labour is acute, as manufacturers are very busy.

## Shipping

*Bristol.*—The register tonnage of vessels arriving at the port is being well maintained, and imports show an upward tendency, particularly in the case of grain and petroleum. The coastwise trade continues to improve. Stocks of grain in the Port Authority's warehouse are low, but other stocks are average. The financial position is satisfactory.

*Hull.*—Coal freights for all directions are extremely firm. Enquiry is only moderate but it is nevertheless, difficult to fulfil requirements.

*Liverpool.*—Rates for outward coal tonnage from United Kingdom coal ports continue at recent levels, and there has been a fair demand for tonnage. Time charter rates are steadily maintained. Homewards from the River Plate values are nominally unchanged. Here, as in most trades, a limited number of vessels are available for early loadings, and owners are content to await developments. Canadian deals are firm at recent levels, whilst Australia is quoted at nominally 15s. per ton above schedule. From India and other Eastern ports rates are unchanged.

*Newcastle-upon-Tyne.*—Freights for all directions are very strong. Higher rates have been conceded for coal cargoes to the Baltic, and there has been an improvement in timber rates homewards.

*Southampton.*—The volume of shipping dealt with in May exceeded the previous monthly record total of August, 1936, and showed an increase of 38 per cent. over May, 1936. Influenced by the Coronation celebrations and Naval Review activity, shipping movements were exceptionally heavy during the month. Substantial increases were recorded under all the main headings in the May trade figures compared with a year ago. One of the year's outstanding events in the shipping world, the Merchant Navy week, is to be held at Southampton Docks from July 17th to July 24th. The Exhibition will show, by means of an unique collection of models, scenic displays, demonstrations, etc., "The Seaman's Service to the Citizen."

*Cardiff.*—The freight market is strong for all directions. Tonnage is scarce, and rates still tend to advance.

*Newport.*—Freights show a rising tendency, and the outlook for shipments, imports and employment for South Wales vessels is promising for some months ahead.

*Swansea.*—A fairly steady enquiry has been maintained for North France and the Bay. Tonnage has been offering very slowly and rates have shown a substantial improvement. Very little business is offering for Mediterranean directions, but a scarcity of tonnage has caused an appreciable rise in rates.

*East of Scotland.*—There were over twenty vessels on loading turn at the Forth coaling ports at middle of June—mostly at Methil. Save for a rather marked decrease in cargo coal shipments the monthly returns of Leith Docks for May compared favourably with the previous year. There is a quiet enquiry in the freight market, chiefly for the Baltic, and rates are well maintained.

*Glasgow.*—Fresh enquiries for tonnage to carry coal are still scarce owing to stemming difficulties. There is, however, a fairly good demand in the Baltic section, mainly for boats for discharge at ports in Finland and Denmark. Owners are adhering to their quoted rates, and the tone is very firm. Charterers are open for a few boats in the Mediterranean and Bay sections, and very high rates are indicating for French and West Italian ports, as offers by owners are very scarce.

### Foodstuffs

*Liverpool, grain.*—The features of the month of June in the wheat "futures" market were the fall in prices and the narrowing of the margin between the near and distant positions. July and October closing 8s. 6½d. and 8s. 3¾d. per cental against 9s. 6½d. and 8s. 10d. respectively on May 20th. The demand for wheat from the United Kingdom and the Continent has been poor during the month in a progressively weak market. Weather reports from the North American zone have been uniformly favourable, heavy precipitation having occurred in most districts. The latest Bureau estimate for the United States winter wheat crop is 649,000,000 bushels, compared with last season's crop of 519,000,000 bushels, while the condition of the spring wheat is put at 68·7 per cent. against 66·9 per cent. for the same time in 1936. European crop news is generally unfavourable. Russia exceptionally, however, reports satisfactory growing progress on a greatly increased acreage. The maize market has been steady during the month, and prices closed almost unchanged at 5s. 7d. per cental. The demand from the United States has been maintained, contrasting with the lack of support from European buyers. It is estimated that remaining supplies of maize in the Argentine are some 5,000,000 quarters less than at this time last year.

*Liverpool, provisions.*—A firm market in Continental bacon has developed, in contrast to the rather lower prices ruling recently. There has been a steady demand for American hams at unchanged prices. The market for lard has been rather fluctuating and nervous, with consumptive needs very moderate. There has been a good market for canned meats at firm prices, and an increasing demand for canned fruits at late values. Empire and Continental quotations are better, and cheese prices have been maintained in a fairly active market.

### **Fishing**

*Brixham.*—Landings of wet fish during May amounted to 3,343 cwts., valued at £4,855, compared with 2,489 cwts., valued at £4,402 during the previous month. Prices are easier, owing to a general increase in landings.

*Hull.*—May was the last month of unrestricted fishing and there were very large quantities all that month at low prices. The quantity of wet fish landed by British-owned vessels during May was 706,034 cwts., valued at £239,977, compared with 564,809 cwts., of value £277,868 in May, 1936. Foreign landings were 1,155 cwts., valued at £2,266. Supplies were in excess of demand most of the month, and the surplus went to the Fish Meal Works. From June 1st Bear Island and White Sea Fishing were stopped, and this has had the effect of reducing supplies and steadying prices. At the moment there are ample supplies for the needs of the trade.

*Penzance.*—The mackerel fishing during May was very good. Some nice catches were landed and prices were, on the whole, good, the highest being 18s. 6d. per 120 fish and the lowest 7s. Cornish long liners have also done very well, the best trips making from £130 to £60. Ray and skate were in good demand, and prices were firm at about 6s. per stone for ray and 3s. for skate.

*Scotland.*—The feature of the early summer herring fishing at the Moray Firth has been the large landings which the market found itself unable to absorb. Action on the part of the Herring Industry Board in restricting nets, allowing only part of the fleet to go to sea and even closing the port for a day or two at a time, failed to have the desired effect.

Minor operations on the West Coast have been only moderately successful so far. The white line fishing round the coast has been satisfactory on the whole.

## Other Industries

*Carpet-making.*—Kidderminster reports that most carpet factories are in full employment, but manufacturers view with alarm the great increase in imports of carpets compared with a year ago. In the month of April this increase amounted to 67 per cent. The great advance in the price of wool during the year has necessitated a rise in carpet prices of about  $7\frac{1}{2}$  per cent. and a further advance takes place from June 30th. Export trade to Australia and New Zealand has expanded considerably during the year, and these colonies are the mainstay of our export trade. Holland and Scandinavia would take more carpets if additional quotas could be obtained.

*Paper-making and Printing.*—Bristol reports that employment has been good, and the satisfactory position is expected to continue.

Edinburgh reports some easing-off in the local paper-making trade, due mainly to a cessation of "panic" buying, but mills are still well employed executing orders on their books. The price of esparto rose again early in June, but no further increase is expected for some months at least. The printing trade continues active, both book and commercial houses being very well employed.

*Timber.*—Hull reports that business is quiet. Stocks are extremely depleted, and the usual range of favourite sizes are almost exhausted. Enquiries are good, and prices are very firm, but importers are unable in most cases to offer goods against these enquiries. Freight rates remain high, and constitute the major stumbling-block to business between importers and shippers.

Newport reports that there were ten cargoes of pitwood during May, seven from France, and three from Portugal, making a total of 4,037 fathoms. Increased colliery outputs will mean a further improvement in pitwood imports.

## Overseas Reports

### Australia

*From the National Bank of Australasia Limited*

Seasonal conditions are generally satisfactory, and recent rainfalls have improved prospects for wheat and lamb raising, though South Eastern and Coastal Queensland districts are still in need of rain. The estimated wool clip for the coming season is 3,146,000 bales. Trade and secondary industries have maintained their recent improvement. On the Stock Exchange industrials are well supported, but mining stocks are weaker. Imports for April increased by 26 per cent. and exports by 50 per cent. as compared with April, 1936. The trade balance rose by £4 millions sterling to £31 millions for the ten months to April, compared with £23 millions for the corresponding period last year.

### Canada

*From the Imperial Bank of Canada.*

Spring rains in Western Canada have revived wheat prospects. Prices have been lowered, but the prospect of a heavy crop commanding a fair price has improved business sentiment, and in spite of the labour situation the outlook for the summer is good. Freight car loadings and employment reflect the industrial activity. The general index is about 5½ per cent. above a year ago. Bank debits and clearings and current loans have also increased. Building and engineering contracts for the first five months of the year total over \$80 millions, compared with \$57 millions in 1936, an increase of over 40 per cent. Employment in the food, lumber, pulp and paper, textile, iron and steel industries has improved. Logging and coal mining show a seasonal contraction. Transportation and general services are expanding, and electric power output has reached new high levels.

### India

*Bombay.*—Cotton markets are undermined by uncertainty as to the future of gold and by the cessation of buying on inflation and rearmament considerations. American crop reports are favourable. Cloth sales are below production and mills are curtailing their output. Bombay cotton prices



have moved narrowly. Old crop positions are firm on improved demand from Japan and China and moderate buying by local mills. Broach cotton is firm. Piecegoods have remained quiet as is usual at the end of the season. Prices have not yet been affected by the decline in cotton prices. The yarn market has been lifeless, with advances small and forward trade difficult.

*Calcutta.*—The raw jute market has been steady but quiet, with little business passing, and closed dull and inactive. In the baled jute market good business was done in Firsts at the end of May, but prices fell later in June. Holiday interruptions in May weakened the hessians market, and mills were not keen sellers owing to low stocks. Prices fell later owing to lack of foreign demand. Shellac has been disappointing. Prices for hides fell again owing to lack of European demand and the quietness of Madras tanners. Demand for skins is small, but arrivals have been insufficient to depress prices rapidly.

*Rangoon.*—Pessimism has replaced optimism in the rice market and rates are the lowest for the year. Indian markets revived momentarily but have now relapsed. Demand from the west is now over. China is not interested in Burma rice and duties have closed the Cuban market. Paddy continues very steady. There is no change in the timber market. Hardware prices are unchanged but are more or less nominal, as there is little demand. Dealers have resigned themselves to a slack time for the next two or three months.

### Irish Free State

Favourable weather following the hard spring has prompted growth and crops are doing well. Cattle markets are quiet, with an upward tendency, though demand for fat cattle, particularly from England, is weaker. Prices for sheep and lambs tend to decline, with demand only maintained for light-weight sheep of good grade. Supplies of hay and straw are small, though equal to the demand.

### France

*From Lloyds and National Provincial Foreign Bank Limited*

The adverse visible trade balance for the first five months of this year was Frs.7,537 millions, compared with Frs. 4,069

millions last year. This increase is due largely to heavier imports of raw materials. The trade returns are summarised below :—

	First 5 months 1936	First 5 months 1937	Difference
	Frs. mill.	Frs. mill.	Frs. mill.
<i>Imports—</i>			
Foodstuffs ... ..	3,066	4,267	+ 1,201
Raw Materials ... ..	5,535	9,867	+ 4,332
Manufactured Articles ... ..	1,517	2,441	+ 924
<b>Total ... ..</b>	<b>10,118</b>	<b>16,575</b>	<b>+ 6,457</b>
<i>Exports—</i>			
Foodstuffs ... ..	912	1,320	+ 408
Raw Materials ... ..	1,739	3,150	+ 1,411
Manufactured Articles ... ..	3,398	4,568	+ 1,170
<b>Total ... ..</b>	<b>6,049</b>	<b>9,038</b>	<b>+ 2,989</b>

It will be seen that imports have increased by approximately 64 per cent., whilst exports have increased by 49 per cent., as compared with the first five months of last year.

The number of registered unemployed on June 12th was 333,367, compared with 416,872 at the same time last year. Railway receipts for the first five months of this year are given below. These show an increase of over Frs. 393 millions, or 10·6 per cent., compared with the same period last year.

	Receipts	Increase over 1936
	(Frs. thousand)	
Alsace and Lorraine ... ..	299,220	+ 52,782
Est ... ..	599,334	+ 70,390
Etat ... ..	638,266	+ 59,375
Nord ... ..	642,100	+ 58,790
Orléans and Midi ... ..	784,812	+ 37,979
P.L.M. ... ..	1,128,830	+ 114,240
<b>Total ... ..</b>	<b>4,092,562</b>	<b>+ 393,556</b>

The cost of living in Paris still shows an upward tendency, as will be seen from the latest figures published by the *Statistiques Générales de la France* :—

Retail prices of 34 Household Requisites  
(1914=100)

1936, May ... ..	459
September ... ..	494
1937, May ... ..	586

Since September, the month immediately preceding devaluation, there has been an increase of 18·6 per cent., while the increase during the past year is 27·6 per cent.

*Le Havre.*—Cotton prices have been irregular with an increase in the premium on distant months, in sympathy with widening discount for forward francs. Demand from the mills has been steady and Havre stocks have fallen from 224,000 bales a month ago to 198,000 bales. Speculation has stimulated the coffee "futures" market and prices have advanced slightly. Demand from the interior has readily absorbed arrivals.

*Lille.*—The cotton industry is quiet in all sections, owing to uncertainty over raw material prices and general lack of demand. Mills in most sections are working a full week, but delays from weavers and hosiery manufacturers are aggravating a difficult situation. Flax prices are firm, largely owing to lack of raw material, but business is dull and mills are restricting production. Weaving business shows no improvement.

*Roubaix.*—Business is quiet owing to political uncertainty. Enquiries for raw wool and tops are scarcer. Stocks of tops have increased slightly during the month but are still six million kilos less than a year ago. There is a slight falling off in the combing output; most combing mills are working at 50 per cent. of capacity with only one or two months' supply of wool on hand. Combing charges have increased by a further 5 per cent.

In the spinning section prospects are not good. New orders are few and most spinners are working only 28 to 30 hours a week. Weaving yarns are better placed than specialities and knit goods yarns. Medium and low-class piece goods manufacturers are fairly well employed.

## Belgium

*From Lloyds & National Provincial Foreign Bank Limited*

*Antwerp.*—Traffic in the port continues satisfactory, showing an increase over previous years. Trade is still dull, and quotations continue to decrease for most commodities. There is little demand for colonial produce, such as rubber, copal, cocoa-palm oil, etc. The diamond industry is

satisfactory, although business has slackened. The Stock Exchange is inactive.

*Brussels.*—There is little change in the iron and steel trade, but there is some falling off in new business. This is welcome as it has permitted producers to tighten their heavily-charged order books. The demand for domestic qualities of coal is intense, and delays for delivery are serious. Demand is ahead of production, and exports to France are good. There is little change as regards industrial qualities, smalls being particularly sought after. Prices are firm, and an increase of about Frs.15 per ton in all categories is being authorised officially as from July 1st.

## Holland

The elections at the end of May confirmed the country's approval of the policy of Dr. Colijn, the full benefits of which are now being appreciated. Representative company profits and dividends have nearly doubled between 1935 and 1936, and this improvement has continued during the present year. In some industries there is a shortage of skilled labour. Wages in the engineering, shipbuilding and textile industries have been increased by between 5 and 10 per cent., not because of any rise in the cost of living, which has remained low, but because wages had previously fallen to an unreasonable level.

May has seen a fall in wholesale prices amounting to 0.4 per cent. for foodstuffs, 2.8 per cent. for raw materials, and 0.5 per cent. for the general index. The index for manufactured goods alone has risen, by 0.4 per cent. In spite of the fall in the prices of several East Indian products, producers still have a reasonable profit margin.

Revenue returns have improved. Foreign trade, on the other hand, ceased to expand in May. The import balance for the first five months was Fl.167 millions, compared with Fl.124 millions, but the Exchange Equalisation Fund has, none the less, had to intervene to prevent an appreciation of the guilder. It has again handed gold over to the Nederlandsche Bank, which now has gold reserves of Fl.1,146 millions against Fl.548 millions a year ago. The Fund holds another Fl.300 millions, but it is believed that there is now little gold in private hands.

## Norway

The latest trade returns are summarised below :—

		May 1936	Apr. 1937	May 1937	First five months	
					1936	1937
				(Kr. millions)		
Imports	...	78.4	130.8	121.3	355.3	543.8
Exports	...	48.7	69.6	61.9	264.0	323.3
Import surplus		29.7	61.2	59.4	91.3	220.5

The decline from April still leaves the figures well above last year. For the five months imports have risen by 53 per cent. and exports by 22½ per cent., the larger import surplus being attributable to imports of cereals, raw materials and ships, only the last of which should continue to increase.

The wholesale price index was returned unchanged at 157 on June 15th (1913=100). The cost of living index for May 15th was also unchanged at 163 (July 1914=100). Index numbers of industrial production are shown below (first half of 1933=100) :—

		Home Industries		Export Industries		All Industries	
		March	April	March	April	March	April
1934	...	107	106	108	91	107	101
1935	...	107	113	108	101	107	109
1936	...	120	121	114	103	118	115
1937	...	141	135	126	111	135	127

The number of unemployed in excess of vacant positions at May 15th was 26,298 against 31,824 on April 15th, compared with 30,923 and 37,756 on the same dates in 1936. This includes the customary 60 per cent. added for districts with no labour exchanges.

## Sweden

The building lockout was fortunately of short duration, new terms having been agreed to in the middle of June. The timber market is quiet and no change is expected during the summer. Winter and spring sales have accounted for 80 per cent., and sellers are not keen to offer the 150,000 standards outstanding, as they are convinced that the price level will be maintained in the autumn.

Chemical pulp has been livelier, but dealings are necessarily small. A few orders for sulphite for 1937 shipment have

been received, but orders are now mostly for 1938 shipment. Contracts for sulphate pulp have been signed for delivery late in 1938 or even 1939. Mechanical pulp is still being bought, and deliveries of wet pulp for this year are fetching appreciably more than those for 1938 shipment. Dry pulp prices are firm.

The usual summer lull has not affected the paper market. Newsprint mills are still signing 1938 contracts and there is little left for delivery this year. Orders for Kraft paper have fallen off, as where fixed prices are quoted the delivery period has been shortened. Nevertheless, orders on hand represent about 60,000 tons, implying full employment for several months. Scankraft's minimum prices are unchanged, but buyers are paying as much as 50-60 shillings more. Both sulphite and greaseproof are in a favourable position.

The commercial iron market quietened at the end of May but revived in mid-June. The quality iron price level is firm and a 5-10 per cent. increase is expected as wages are bound to rise at the end of the year. To the end of May production of pig-iron was 261,800 tons against 241,000 tons in 1936, that of castings 450,000 tons against 391,000 tons, and of rolled and forged commercial iron and steel 315,600 tons against 266,900 tons. The number of workers in the industry at the end of May was 29,100 against 26,200 last year. Exports of iron ore for the first five months totalled 4,870,000 tons against 4,117,000 tons in 1936.

## **Denmark**

Owing to the difficulties of farmers the further increase in prices of imported goods and the heavier burden of taxation the purchasing power is becoming restricted and in some respects the outlook is less promising. Freight earnings, however, are well maintained and there is a prospect of a good harvest.

The effect of the trade agreement signed by the Oslo powers on May 28th will be small, as it does not concern agricultural products. A bill voting Kr.30 millions for the provision of work for those who had been unemployed at least ten months out of two years (totalling on May 7th 23,000), will now be implemented. Workers receive full wages, but hours are shorter by one fourth. Those refusing these conditions sacrifice their right to unemployment benefit.



Imports in April totalled Kr.143·3 millions and exports Kr. 141·8 millions. For the first four months of 1937 imports totalled Kr.549·1 millions, against Kr.425·3 millions in 1936, and exports Kr.499·7 millions against Kr.430·9 millions. The import surplus is Kr.49·4 millions against an export surplus last year of Kr.5·6 millions. The foreign exchange position of the National Bank has improved between May 15th and June 15th by Kr.6·8 millions.

## Switzerland

*From Lloyds & National Provincial Foreign Bank Limited*

The past month has witnessed a continuance of very easy monetary conditions. On the Bourses a number of the well-known Swiss shares which are favourites of the foreign investor, have shown a weaker tendency, in sympathy with the leading foreign Stock Exchanges. On the other hand Government and first-class Bonds have been very firm, with a rising tendency, the average yield obtainable now being less than  $3\frac{1}{2}$  per cent. The tourist season appears to be developing well, and considerably more visitors than last year have been recorded. For the first five months of this year 69,300 foreign motor cars have entered Switzerland for a temporary stay, compared with 56,200 during the corresponding period of 1936.

## Morocco

*From the Bank of British West Africa Limited*

Business conditions in the French zone of Morocco during the past month have been quiet, awaiting movement of the new main crops which in the North are moderately good but very short over Southern Morocco. Semi-official estimates expect approximately 2 million quintals of very good quality soft wheat and 3 million quintals of hard wheat. Barley is estimated at only 5 million quintals as compared with a normal crop of about 15 millions. Exports from Morocco of both barley and wheat continue to be prohibited, and also maize. Import merchants are not over-stocked, and await more definite news about the crops and this year's quotas for exporting to France. Cotton textiles are in better demand

and prices have slightly advanced. Stocks of green tea continue large on poor demand. Shanghai prices rule too high for the consumer in Morocco and business in new season's tea is consequently restricted.

## The United States

Uncertainty persisted into June owing to the gold question, not finally dispelled by official statements. The labour position also remains serious. The agricultural outlook is, however, brighter. With favourable weather the American farmer should be able for the first time in five years to supply the home market and even furnish an export surplus.

Of the 1937 quota of 4,798,430 tons of raw sugar, 2,698,059 tons had been imported by May 31st. Exports of refined sugar in the first four months were 23,046 tons against 14,852 tons last year. The spot market is soft. The absence of any serious factory demand has forced rubber prices down. Spot deliveries of refined copper are still tight. Labour problems in the steel trade have weakened the position for tin. Lead is steady, but zinc has fallen away somewhat. Between May 1st and June 1st the number of furnaces producing pig-iron fell from 187 to 170. Production of steel ingots, however, rose to 5,153,559 tons. Strikes have not yet had much effect on market conditions, but will as soon as stocks fall. Japanese orders alone for iron and steel this year are very considerable.

Exports of raw cotton to date total 5,216,777 bales. Acreage is at least 10 per cent. greater than last year, and the crop condition is better than for the last ten years. Lack of speculation has allowed the price to sag. Cotton textiles are quiet. Stocks are lower but orders are below output.

## South America

*From the Bank of London & South America Limited*

*Argentine.*—Fairly good rains have fallen, but more are needed to the westward and in the south, where ploughing is interrupted. Grain prices improved towards the end of June. The cattle market is firm.

*Brazil.*—The President of the São Paulo Coffee Institute has stated that there was every advantage to be gained from

an international coffee agreement to promote the consumption and prevent a "price war." As, however, the conclusion of such an agreement might be impossible Brazil should prepare to enter upon a period of free competition by taking the following indispensable steps :—(a) The elimination of present surpluses, so that coffee produced could be sent promptly to export markets ; (b) the abolition of taxes which at present placed Brazilian coffee in an inferior competitive position ; (c) the organisation of mortgage, agricultural and mercantile credit ; (d) the institution of credits for the export trade, so that coffee could be sold at 60, 120 or even 180 days' date ; (e) the organisation of a well-prepared plan of propaganda ; and (f) the drawing up of commercial treaties with countries which were consumers or potential consumers of coffee.

### Japan

Industrial production, railway traffics, bank clearings and other indications show that business continues to expand, but further progress is being hampered by a shortage of raw materials and labour. Exports are well maintained, but imports are increasing more rapidly, and the growing adverse trade balance is causing some concern. There is a subdued tone on the stock markets. The wheat crop is larger and the spring cocoon crop is good.

# Statistics

## BANK OF ENGLAND

### Issue Department

	Note Circulation.	Govt. Debt.	Other Govt. Securities.	Other Securities.	Silver Coin.	Fiduciary Issue.	Gold.
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
End March, 1931	357·1	11·0	232·0	12·9	4·0	260·0	144·5
" " 1932	360·5	11·0	240·9	19·3	3·8	275·0	120·8
" " 1933	367·1	11·0	249·9	10·5	3·6	275·0	171·8
" " 1934	378·8	11·0	245·4	0·1	3·5	260·0	191·1
" " 1935	381·4	11·0	246·7	0·2	2·1	260·0	192·5
" " 1936	406·5	11·0	246·5	1·5	1·0	260·0	200·6
June 23, 1937	483·7	11·0	184·1	4·9	—	200·0	326·4
June 30, 1937	488·4	11·0	184·1	4·8	—	200·0	326·4

### Banking Department

	Public Deposits.	Bankers' Deposits.	Other Deposits.	Govt. Securi- ties.	Discounts and Advances.	Other Securi- ties.	Reserve.	Propor- tion.
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	%
End March, 1931	17·2	58·8	34·7	30·3	24·6	25·7	48·3	43·6
" " 1932	27·2	54·6	34·4	35·7	11·7	51·1	35·9	30·9
" " 1933	21·2	92·8	35·0	57·7	11·8	17·2	80·6	54·0
" " 1934	17·5	94·5	36·9	77·1	5·6	11·0	73·4	49·2
" " 1935	20·1	96·6	41·2	87·6	5·6	11·4	71·7	45·3
" " 1936	18·0	85·6	37·0	80·3	5·0	16·7	54·9	39·6
June 23, 1937	15·5	95·0	37·2	98·0	3·8	20·2	43·6	29·5
June 30, 1937	10·8	140·5	40·2	140·6	6·3	23·7	38·9	20·3

### LONDON CLEARING BANKS (monthly averages)

	Deposits.	Accept- ances, Guaran- tees, etc.	Cash.	Balances and Cheques.	Call and Short Money.	Bills.	Invest- ments.	Advances.
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
March, 1931	1,763·9	121·5	184·0	43·5	114·1	240·4	311·1	936·1
" 1932	1,676·4	98·7	174·0	43·4	112·5	216·8	281·9	902·1
" 1933	1,925·2	95·8	207·0	40·1	108·7	348·1	510·2	766·2
" 1934	1,830·6	112·8	218·9	43·5	120·4	202·1	547·1	753·0
" 1935	1,923·3	117·7	214·0	43·6	133·4	207·0	614·4	766·8
" 1936*	2,108·3	105·2	216·7	53·8	162·4	252·0	635·1	849·2
April, 1937*	2,252·1	126·5	229·6	60·7	176·6	241·0	661·5	947·0
May, 1937*	2,255·1	125·8	232·8	64·3	168·2	244·4	656·8	952·4

\*Includes the District Bank.

## LONDON BANKERS' CLEARING HOUSE RETURNS

	Town Clearing	Metropolitan Clearing	Country Clearing	Total
	£ mn.	£ mn.	£ mn.	£ mn.
1930 ... ..	38,782	1,812	2,964	43,558
1931 ... ..	31,816	1,668	2,752	36,236
1932 ... ..	27,834	1,610	2,668	32,112
1933 ... ..	27,715	1,657	2,766	32,138
1934 ... ..	30,740	1,760	2,984	35,484
1935 ... ..	32,444	1,887	3,229	37,560
1936 ... ..	35,039	2,040	3,538	40,617
1936 to July 1 ... ..	16,297	992	1,709	18,998
1937 to June 30 ... ..	19,042	1,095	1,899	22,036
1936, June (4 weeks) ...	2,586	152	265	3,003
1937, June (4 weeks) ...	2,960	165	291	3,416

## BANKERS' PROVINCIAL CLEARING RETURNS

	Mar., 1929	Mar., 1932	Mar., 1933	Mar., 1934	Mar., 1935	Mar., 1936	Mar., 1937	April, 1937	May, 1937
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
Birmingham...	11.9	9.0	9.7	11.3	9.6	10.7	11.3	10.4	10.3
Bradford ...	5.9	3.4	3.3	4.2	3.8	4.7	4.6	4.9	4.4
Bristol ...	5.3	4.9	5.0	5.4	4.9	5.5	5.5	6.1	5.0
Hull ... ..	4.0	3.0	3.2	3.2	3.2	3.4	4.0	4.0	3.8
Leeds ... ..	4.4	3.8	3.8	4.4	4.3	3.9	4.8	4.3	4.0
Leicester ...	3.6	3.1	3.1	3.3	2.8	3.1	3.3	3.3	3.0
Liverpool ...	34.2	25.6	25.6	26.8	25.8	27.5	35.8	32.5	27.8
Manchester ...	58.0	42.5	42.1	46.1	42.8	44.9	50.7	49.4	45.9
Newcastle-on-Tyne ...	6.5	5.7	6.5	6.9	5.5	5.7	6.3	6.2	6.5
Nottingham ...	2.8	1.9	1.9	2.0	2.0	2.1	2.3	2.2	2.2
Sheffield ...	4.6	3.3	3.5	3.6	3.4	4.3	6.0	4.9	4.2
	141.2	106.2	107.7	117.2	108.1	115.8	134.6	128.2	117.1

## LONDON AND NEW YORK MONEY RATES

	LONDON.					NEW YORK.		
	Bank Rate.	Treasury Bills.		3 Months' Bank Bills.	Short Loans.	F.R.B. Re-discount Rate.	Call Money.	Acceptances.
		Tender Rate.	Market Rate.					
	Percent.	Percent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
End March, 1931	3	2 $\frac{1}{2}$	2 $\frac{1}{2}$	2 $\frac{1}{2}$ -2 $\frac{3}{4}$	2-2 $\frac{1}{2}$	2	1 $\frac{1}{2}$	1 $\frac{1}{2}$
" " 1932	3 $\frac{1}{2}$	2 $\frac{3}{4}$	1 $\frac{1}{2}$	2 $\frac{1}{2}$ -2 $\frac{3}{4}$	2-3	3	2 $\frac{1}{2}$	2 $\frac{1}{2}$
" " 1933	2	2 $\frac{1}{2}$	1 $\frac{1}{2}$	2 $\frac{1}{2}$	1-1	3 $\frac{1}{2}$	3	2 $\frac{1}{2}$
" " 1934	2	2 $\frac{1}{2}$	1 $\frac{1}{2}$	2 $\frac{1}{2}$	1-1	1 $\frac{1}{2}$	1	1 $\frac{1}{2}$
" " 1935	2	2 $\frac{1}{2}$	1 $\frac{1}{2}$	2 $\frac{1}{2}$	1-1	1 $\frac{1}{2}$	1	1 $\frac{1}{2}$
" " 1936	2	2 $\frac{1}{2}$	1 $\frac{1}{2}$	2 $\frac{1}{2}$	1-1	1 $\frac{1}{2}$	1	1 $\frac{1}{2}$
May 26th, 1937	2	2 $\frac{1}{2}$	1 $\frac{1}{2}$	2 $\frac{1}{2}$	1-1	1 $\frac{1}{2}$	1	1 $\frac{1}{2}$
June 30th, 1937	2	2 $\frac{1}{2}$	1 $\frac{1}{2}$	2 $\frac{1}{2}$	1-2 $\frac{1}{2}$	1 $\frac{1}{2}$	1	1 $\frac{1}{2}$

## FOREIGN EXCHANGES

London on	1935	1936	1937				
	June 26	June 24	June 2	June 9	June 16	June 23	June 30
New York—							
(a) Spot ...	4.93 $\frac{1}{2}$	5.02 $\frac{1}{2}$	4.92 $\frac{1}{2}$	4.93 $\frac{1}{2}$	4.93 $\frac{1}{2}$	4.94 $\frac{1}{2}$	4.93 $\frac{1}{2}$
(b) 3 months	1 $\frac{1}{2}$ c. pm.	1 $\frac{1}{2}$ c. pm.	1 $\frac{1}{2}$ c. pm.	1 $\frac{1}{2}$ c. pm.	1 $\frac{1}{2}$ c. pm.	1 $\frac{1}{2}$ c. pm.	1 $\frac{1}{2}$ c. pm.
Montreal ...	4.94 $\frac{1}{2}$	5.03 $\frac{1}{2}$	4.92 $\frac{1}{2}$	4.93 $\frac{1}{2}$	4.93 $\frac{1}{2}$	4.94 $\frac{1}{2}$	4.94 $\frac{1}{2}$
Paris—							
(a) Spot ...	74 $\frac{1}{2}$	76 $\frac{1}{2}$	110 $\frac{1}{2}$	110 $\frac{1}{2}$	110 $\frac{1}{2}$	110 $\frac{1}{2}$	n.q.
(b) 3 months	Fr.2 dis.	Fr. 3 $\frac{1}{2}$ dis.	Fr.1 $\frac{1}{2}$ dis.	Fr.2 $\frac{1}{2}$ dis.	Fr.4 $\frac{1}{2}$ dis.	Fr.6 $\frac{1}{2}$ dis.	n.q.
Berlin—							
(a) Official ...	12.22 $\frac{1}{2}$	12.49	12.29 $\frac{1}{2}$	12.33 $\frac{1}{2}$	12.31 $\frac{1}{2}$	12.33 $\frac{1}{2}$	12.30 $\frac{1}{2}$
(b) Registered							
Marks	47 $\frac{1}{2}$ % dis.	47 $\frac{1}{2}$ % dis.	49 $\frac{1}{2}$ % dis.	47 $\frac{1}{2}$ % dis.	48 $\frac{1}{2}$ % dis.	48 $\frac{1}{2}$ % dis.	47 $\frac{1}{2}$ % dis.
Amsterdam ...	7.24	7.42 $\frac{1}{2}$	8.96 $\frac{1}{2}$	8.97 $\frac{1}{2}$	8.98	8.99 $\frac{1}{2}$	8.98 $\frac{1}{2}$
Brussels ...	29.22	29.74	29.25 $\frac{1}{2}$	29.27	29.25	29.27 $\frac{1}{2}$	29.32 $\frac{1}{2}$
Milan ...	59 $\frac{1}{2}$	63 $\frac{1}{2}$	93 $\frac{1}{2}$	93 $\frac{1}{2}$	93 $\frac{1}{2}$	93 $\frac{1}{2}$	93 $\frac{1}{2}$
Zurich ...	15.06	15.43	21.58	21.60 $\frac{1}{2}$	21.55 $\frac{1}{2}$	21.56 $\frac{1}{2}$	21.58 $\frac{1}{2}$
Stockholm ...	19.39 $\frac{1}{2}$	19.39 $\frac{1}{2}$	19.39 $\frac{1}{2}$	19.39 $\frac{1}{2}$	19.39 $\frac{1}{2}$	19.39 $\frac{1}{2}$	19.39 $\frac{1}{2}$
Madrid ...	35 $\frac{1}{2}$	36 $\frac{1}{2}$	85*	85*	85*	85*	85*
Vienna ...	26 $\frac{1}{2}$	26 $\frac{1}{2}$	26 $\frac{1}{2}$	26 $\frac{1}{2}$	26 $\frac{1}{2}$	26 $\frac{1}{2}$	26 $\frac{1}{2}$
Prague ...	117 $\frac{1}{2}$	121 $\frac{1}{2}$	141 $\frac{1}{2}$	141 $\frac{1}{2}$	141 $\frac{1}{2}$	141 $\frac{1}{2}$	141 $\frac{1}{2}$
Buenos Aires—							
(a) Export ...	15	15	15	15	15	15	15
(b) Import ...	17.00	17.05	16.00	16.00	16.00	16.00	16.00
(c) Free ...	18.67	18.18	16.19	16.19	16.23	16.23	16.30
Rio de Janeiro—							
(a) Official ...	57s420	57s540	56s000	55s600	55s600	55s600	55s600
(b) Free ...	90s100	87s350	75s670	74s800	75s200	75s300	75s000
Valparaiso ...	118*	130*	131 $\frac{1}{2}$ *	131 $\frac{1}{2}$ *	131 $\frac{1}{2}$ *	131 $\frac{1}{2}$ *	131 $\frac{1}{2}$ *
Bombay ...	18 $\frac{1}{2}$ d.	18 $\frac{1}{2}$ d.	18 $\frac{1}{2}$ d.	18 $\frac{1}{2}$ d.	18 $\frac{1}{2}$ d.	18 $\frac{1}{2}$ d.	18 $\frac{1}{2}$ d.
Hong Kong ...	27 $\frac{1}{2}$ d.	15 $\frac{1}{2}$ d.	14 $\frac{1}{2}$ d.	14 $\frac{1}{2}$ d.	14 $\frac{1}{2}$ d.	14 $\frac{1}{2}$ d.	14 $\frac{1}{2}$ d.
Kobe ...	1/2 $\frac{1}{2}$	1/2 $\frac{1}{2}$	1/1 $\frac{1}{2}$	1/1 $\frac{1}{2}$	1/1 $\frac{1}{2}$	1/1 $\frac{1}{2}$	1/1 $\frac{1}{2}$
Shanghai ...	19 $\frac{1}{2}$ d.	14 $\frac{1}{2}$ d.	14 $\frac{1}{2}$ d.	14 $\frac{1}{2}$ d.	14 $\frac{1}{2}$ d.	14 $\frac{1}{2}$ d.	14 $\frac{1}{2}$ d.
Gold price ...	141s. 2d.	138s. 7 $\frac{1}{2}$ d.	140s. 8d.	140s. 6 $\frac{1}{2}$ d.	140s. 5 $\frac{1}{2}$ d.	140s. 5d.	140s. 9d.
Silver price ...	31d.	19 $\frac{1}{2}$ d.	20 $\frac{1}{2}$ d.	20 $\frac{1}{2}$ d.	19 $\frac{1}{2}$ d.	19 $\frac{1}{2}$ d.	20 $\frac{1}{2}$ d.

\* Nominal.

n.q. = No quotation.



## PUBLIC REVENUE AND EXPENDITURE

	1933-4	1934-5	1935-6	1936-7	1936-7 to June 27	1937-8 to June 26
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
<b>REVENUE—</b>						
Income Tax ... ..	228·9	228·9	238·1	257·2	10·2	11·6
Sur-Tax ... ..	52·6	51·2	51·0	53·6	4·1	4·8
Estate Duties... ..	85·3	81·3	87·9	88·0	19·5	22·8
Stamps ... ..	22·7	24·1	25·8	29·1	3·4	4·2
Customs ... ..	179·2	185·1	196·6	211·3	48·8	53·2
Excise ... ..	107·0	104·6	106·7	109·5	24·7	26·4
Motor Vehicles Duties (Exchequer Share) ...	5·2	5·1	5·0	5·3	4·6*	4·7
Other Tax Revenue ...	2·6	3·1	2·1	1·7	0·1	0·1
<b>Total Tax Revenue ... ..</b>	<b>683·5</b>	<b>683·4</b>	<b>713·2</b>	<b>755·7</b>	<b>115·4</b>	<b>127·8</b>
Post Office (Net Receipt) ...	13·1	12·2	11·7	11·0	3·8	3·6
Post Office Fund ... ..	—	—	—	0·1	—	—
Crown Lands... ..	1·2	1·3	1·4	1·4	0·3	0·2
Receipts from Sundry Loans	4·7	4·4	4·9	4·5	0·4	0·4
Miscellaneous Receipts ...	22·1	15·1	21·7	24·6	1·8	1·3
<b>Total Non-Tax Revenue ...</b>	<b>41·1</b>	<b>33·0</b>	<b>39·7</b>	<b>41·6</b>	<b>6·3</b>	<b>5·5</b>
<b>Total Ordinary Revenue ...</b>	<b>724·6</b>	<b>716·4</b>	<b>752·9</b>	<b>797·3</b>	<b>121·7</b>	<b>133·3</b>
Post Office ... ..	59·3	61·8	66·1	71·9	14·7	15·5
Road Fund ... ..	25·5	26·4	25·8	27·4	—	—
<b>Total Self-balancing Revenue ...</b>	<b>84·8</b>	<b>88·2</b>	<b>91·9</b>	<b>99·3</b>	<b>14·7</b>	<b>15·5</b>
<b>EXPENDITURE—</b>						
National Debt Interest ...	212·9	211·6	211·5	210·9	72·4	74·5
Payments to N. Ireland ...	6·6	6·8	7·2	8·0	1·2	1·6
Other Cons. Fund Services ...	4·1	3·6	5·7	3·2	0·6	0·8
Post Office Fund ... ..	—	2·3	1·1	0·4	—	—
Supply Services ... ..	458·8	472·2	512·0	567·2	—	—
<b>Total Ordinary Expenditure ...</b>	<b>682·4</b>	<b>696·5</b>	<b>737·5</b>	<b>789·7</b>	<b>74·2</b>	<b>76·9</b>
Sinking Fund ... ..	7·7	12·3	12·5	13·1	—	—
Payments to U.S. Govt. ...	3·3	—	—	—	—	—
<b>Self-balancing Expenditure (as per contra) ... ..</b>	<b>84·8</b>	<b>88·2</b>	<b>91·9</b>	<b>99·3</b>	<b>14·7</b>	<b>15·5</b>

\* Motor Vehicle Duties apportioned to Road Funds, treated as self balancing in 1936-37, now added to Revenue and Expenditure figures for purposes of comparison.

## PRODUCTION

				Coal	Pig-Iron	Steel
				Tons mill.	Tons thous.	Tons thous.
Total 1913	...	...	...	287·4	10,260	7,664
" 1925	...	...	...	243·2	6,262	7,385
" 1929	...	...	...	257·9	7,589	9,636
" 1930	...	...	...	243·9	6,192	7,326
" 1931	...	...	...	219·5	3,773	5,203
" 1932	...	...	...	208·7	3,574	5,261
" 1933	...	...	...	207·1	4,136	7,024
" 1934	...	...	...	221·0	5,969	8,850
" 1935	...	...	...	222·9	6,426	9,842
" 1236	...	...	...	228·5	7,686	11,705
Total to May, 1936	...	...	...	97·8	3,105	4,785
Total to May, 1937	...	...	...	100·6	3,312	5,232

BOARD OF TRADE PRODUCTION INDEX NUMBER  
(1930 = 100)

	Complete Year		1936				1937
	1935	1936	1st Qr.	2nd Qr.	3rd Qr.	4th Qr.	1st Qtr.
Mines and Quarries ...	91·7	94·4	100·6	88·4	89·7	99·1	99·5
Iron and Steel... ..	125·6	150·1	146·2	149·5	149·1	155·6	158·0
Non-Ferrous Metals ...	137·3	143·8	134·8	140·9	145·3	154·0	154·2
Engineering and Shipbuilding	104·8	123·1	116·3	122·4	121·6	132·3	136·1
Building Materials and Building	147·0	157·1	148·8	157·8	164·7	157·3	147·7
Textiles ... ..	119·1	126·4	127·3	124·9	123·3	130·3	130·5
Chemicals, Oils, etc. ...	110·6	114·0	115·1	111·7	110·2	119·1	120·5
Leather and Boots and Shoes	116·0	120·7	126·1	121·0	116·4	119·6	120·6
Food, Drink and Tobacco ...	107·6	114·5	106·9	114·5	115·2	121·2	113·3
Total* ... ..	113·5	124·6	123·2	123·4	122·4	132·1	131·9

\* Includes paper and printing, gas and electricity, rubber, cement and tiles.

## UNEMPLOYMENT

## (a) Percentage of Insured Workers

Date	1929	1930	1931	1932	1934	1935	1936	1937
End of—								
January	12.3	12.4	21.5	22.4	18.6	17.6	16.2	12.6
February	12.1	12.9	21.7	22.0	18.1	17.5	15.3	12.2
March	10.0	13.7	21.5	20.8	17.2	16.4	14.2	11.8
April	9.8	14.2	20.9	21.4	16.6	15.6	13.6	10.8
May	9.7	15.0	20.8	22.1	16.2	15.5	12.8	10.9
June	9.6	15.4	21.2	22.2	16.4	15.4	12.8	
July	9.7	16.7	22.0	22.8	16.7	15.3	12.4	
August	9.9	17.1	22.0	23.0	16.5	14.9	12.1	
September	10.0	17.6	22.6	22.8	16.1	15.0	12.1	
October	10.3	18.7	21.9	21.9	16.3	14.5	12.1	
November	10.9	19.1	21.4	22.2	16.3	14.5	12.2	
December	11.0	20.2	20.9	21.7	16.0	14.1	12.2	

## (b) Actual Numbers Employed and Unemployed (in thousands)

	Mar., 1932	Mar., 1934	Mar., 1935	Mar., 1936	May, 1936	Mar., 1937	April, 1937	May, 1937
Number employed ...	9,549	10,058	10,200	10,630	10,831	11,242	11,394	11,387
Wholly unemployed...	2,129	1,814	1,727	1,551	1,382	1,330	1,232	1,173
Temporarily stopped	427	317	324	240	230	170	131	210
Normally in casual employment ...	104	94	92	88	85	76	73	73
Total unemployed ...	2,660	2,225	2,143	1,879	1,697	1,576	1,436	1,456

## RAILWAY TRAFFIC RECEIPTS

	Four weeks ended				Aggregate for 25 weeks,			
	June 28, 1936		June 27, 1937.		1936.		1937.	
	Pas- sengers.	Goods.	Pas- sengers.	Goods.	Pas- sengers.	Goods.	Pas- sengers.	Goods.
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
Great Western ...	0.9	1.1	0.9	1.3	4.6	7.3	4.8	7.7
London & North Eastern* ...	1.4	2.0	1.4	2.3	7.2	14.0	7.5	14.8
London Midland & Scottish ...	2.2	2.7	2.2	2.9	11.0	18.1	11.4	18.9
Southern ...	1.3	0.3	1.4	0.4	7.0	2.3	7.4	2.3
Total ...	5.8	6.1	5.9	6.9	29.8	41.7	31.1	43.7

\* The London & North Eastern Railway Returns are made up a day earlier each week than the other lines.

## RETAIL TRADE

(from the Board of Trade Journal)

## Change in value since same date in previous year

	May, 1934	May, 1935	May, 1936	April, 1937	May, 1937
By CATEGORIES: Great Britain	%	%	%	%	%
Total ... ..	+ 7.7	+ 2.2	+ 7.2	+ 1.5	+13.2
Food and Perishables ... ..	+ 6.9	+ 6.3	+ 5.5	+ 0.8	+20.0
Other Merchandise of which					
Piece-goods* ... ..	- 3.2	- 5.4	- 1.3	+11.2	- 4.0
(i) Household Goods ... ..	- 1.3	+ 0.7	+ 0.5	+ 5.3	+ 1.8
(ii) Dress Materials ... ..	- 3.9	- 7.6	- 2.5	+14.1	- 6.2
Women's Wear*... ..	+ 7.8	- 4.6	+ 9.9	+ 4.3	+ 7.7
(i) Fashion Departments ... ..	+ 7.4	- 2.7	+12.0	+12.5	+ 7.2
(ii) Girls' and Children's Wear	+ 7.1	- 0.8	+11.2	+ 1.2	+ 9.3
(iii) Fancy Drapery ... ..	+ 7.4	- 6.7	+ 8.0	- 5.3	+10.0
Men's and Boys' Wear ... ..	+13.6	- 6.2	+ 9.4	+ 2.9	Nil.
Boots and Shoes... ..	+16.9	- 6.4	+17.6	- 2.8	+15.5
Furnishing Departments ... ..	+ 5.6	+ 3.5	+ 9.9	+ 4.6	+ 1.2
Hardware ... ..	+ 7.9	+ 4.7	+11.7	+ 0.6	- 2.0
Fancy Goods ... ..	+ 5.3	+ 7.0	+ 6.3	- 3.6	+ 9.5
Sports and Travel ... ..	+ 7.5	- 0.7	- 0.2	-11.2	+ 0.4
Miscellaneous and Unallocated	+ 6.7	+ 9.1	+ 0.1	+ 2.0	+28.6
By AREAS—					
All Categories—					
Scotland ... ..	+ 7.3	+ 4.5	+ 3.5	+ 0.3	+14.4
North-East ... ..	—	—	—	+ 1.3	+17.2
North-West ... ..	—	—	—	+ 0.2	+12.5
Midlands & South Wales ... ..	—	—	—	+ 1.9	+16.6
South of England ... ..	+ 9.0	+ 2.6	+ 8.9	+ 0.2	+12.8
London, Central & West End	+ 3.3	+ 2.0	+ 1.0	+ 8.0	+ 3.3
London, Suburban ... ..	+12.6	+ 1.5	+10.2	- 0.7	+16.4

\* Including some goods which cannot be allocated to sub-headings.

## OVERSEAS TRADE

Date.	IMPORTS.				EXPORTS.			
	Food.	Raw Materials.	Manufactured Goods.	Total.	Food.	Raw Materials.	Manufactured Goods.	Total.
<b>Monthly Average—</b>	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
1929 ... ..	44·6	28·3	27·9	101·7	4·6	6·6	47·8	60·8
1930 ... ..	39·6	20·9	25·6	87·0	5·3	5·3	36·7	47·6
1931 ... ..	34·7	14·4	21·8	71·8	3·0	3·9	24·3	32·6
1932 ... ..	31·1	13·7	13·1	58·5	2·7	3·6	23·0	30·4
1933 ... ..	28·3	15·0	12·6	56·3	2·4	3·8	23·4	30·6
1934 ... ..	28·9	17·5	14·3	61·0	2·5	4·0	25·4	33·0
1935 ... ..	29·6	17·7	15·4	63·0	2·6	4·4	27·4	35·5
1936 ... ..	31·9	20·7	17·7	70·7	3·0	4·3	28·4	36·7
May, 1936 ... ..	31·5	19·9	17·2	69·1	2·7	4·5	28·2	36·4
May, 1937 ... ..	34·2	25·6	22·9	83·1	3·1	5·5	33·3	42·7

## SOME LEADING IMPORTS

Date.	Wheat.	Iron Ore and Scrap.	Raw Cotton	Raw Wool.	Hides, Wet and Dry.	Wood Pulp.	Rubber.	Iron and Steel Manufactures.
<b>Monthly Average—</b>	(thous. cwt.s.)	(thous. tons)	(thous. cents of 100 lbs.)	(thous. cents of 100 lbs.)	(thous. cwt.s.)	(thous. tons)	(thous. cents of 100 lbs.)	(thous. tons)
1929 ... ..	9,314	480	1,283	678	98	137	330	235
1930 ... ..	8,731	363	1,011	652	108	128	326	243
1931 ... ..	9,952	185	989	707	106	122	237	237
1932 ... ..	8,803	159	1,048	765	105	153	176	133
1933 ... ..	9,366	234	1,169	793	120	162	189	81
1934 ... ..	8,552	392	1,052	657	116	187	395	114
1935 ... ..	8,435	415	1,060	720	141	185	325	96
1936 ... ..	8,401	587	1,289	762	157	307	116	124
May, 1936 ... ..	8,912	632	1,092	1,071	155	190	119	117
May, 1937 ... ..	7,501	642	1,257	882	149	161	190	98

## SOME LEADING EXPORTS

Date.	Coal.	Iron and Steel.	Machinery.	Cotton Yarns.	Cotton Piece-Goods.	Woollen Tissues.	Worsted Tissues.	Motor Cars.
<b>Monthly Average—</b>	(thous. tons)	(thous. tons)	(thous. tons)	(mill. lbs.)	(mill. sq. yds.)	(thous. sq. yds.)	(thous. sq. yds.)	(number).
1929 ... ..	5,022	365	47	11·8	306	9,016	3,490	1,991
1930 ... ..	4,573	263	40	11·1	201	6,587	2,893	1,602
1931 ... ..	3,563	165	27	11·4	143	4,694	2,479	1,429
1932 ... ..	3,242	157	25	13·9	183	4,461	2,358	2,246
1933 ... ..	3,256	160	23	15·8	169	5,110	2,741	2,821
1934 ... ..	3,305	188	28	10·9	166	5,745	2,772	2,904
1935 ... ..	3,226	193	32	11·8	162	5,934	3,205	3,659
1936 ... ..	2,878	184	32	12·6	160	6,523	3,304	4,268
May, 1936 ... ..	3,162	204	33	12·4	146	5,297	2,782	4,796
May, 1937 ... ..	3,216	228	35	14·1	162	5,397	2,872	3,938

## PRICES

## 1. WHOLESALE PRICES

Date	Index Number (Sept. 16th, 1931 = 100)				
	U.K.	U.S.A.	France	Italy	Germany
Average 1929 ...	150.9	139.4	141.3	146.0	126.1
1931 ...	107.7	103.5	105.5	103.5	101.9
1932 ...	103.5	89.3	92.0	93.1	88.7
1933 ...	103.5	93.7	87.7	86.6	85.7
1934 ...	106.4	111.1	83.1	84.2	90.4
1935 ...	108.1	120.3	78.4	97.2	93.5
1936 ...	116.2	121.4	90.6	112.5	95.6
End May, 1936 ...	111.8	117.7	85.2	—	95.4
" June, 1936 ...	113.1	119.8	84.1	—	95.5
" May, 1937 ...	139.3	135.2	119.6	131.4	97.3
" June, 1937 ...	136.6	134.6	121.4	—	97.4

Sources: U.K., "Financial Times"; U.S.A., Irving Fisher; France, Statistique Generale; Italy, Italian Chamber of Commerce; Germany, Statistische Reichsamt.

## 2. RETAIL PRICES (cost of living)

Date	Food	Rent (including Rates)	Clothing	Fuel and Light	Other Items included	All Items included
End of 1929 ...	57	52	115	75	80	66
1931 ...	31	54	90	75	75	47
1932 ...	23	55	85	70-75	70-75	42
1933 ...	24	56	85	70-75	70-75	42
1934 ...	25	56	85-90	70-75	70-75	44
1935 ...	31	58	85	75	70	47
1936 ...	36	59	90-95	75-80	70	51
End May, 1936...	26	59	90	70-75	70	44
" April, 1937...	36	59	100	75-80	70-75	52
" May, 1937...	36	59	100-105	75	75	52

The figures represent the percentage increase above July, 1914, which is equal to 100.

## 3. COMMODITY PRICES (average for month)

Date.	Wheat No. 1 Manitoba.	Sugar Centrifugals U.K.	Cotton American Middling.	Wool 64's tops avge.	Pig-Iron, Cleveland, No. 3.	Tin, Standard Cash.	Rubber Plantation Sheet.
	per qr. s. d.	per cwt. s. d.	per lb. d.	per lb. d.	per ton. s. d.	per ton. s. d.	per lb. d.
Average 1929 ...	54 0½	9 0½	10.29	38½	70 4½	203½	10½
1931 ...	28 2½	6 4½	5.08	23½	58 7	118½	3½
1932 ...	30 6½	5 9½	5.29	22½	58 6	136½	2½
1933 ...	28 2	5 4	5.53	28½	62 3	194½	3½
1934 ...	30 11	4 8½	5.66	30½	66 10½	230	6½
1935 ...	34 3½	4 8	6.69	28	67 10	225½	5½
1936 ...	38 0	4 8½	6.67	32½	73 0	204½	7½
End June, 1936	31 9½	4 5½	6.83	31½	70 0	183½	7½
" May, 1937	52 7½	6 4½	7.28	38½	81 0	252	10½
" June, 1937	48 0	6 7½	7.03	37½	81 0	283½	9½